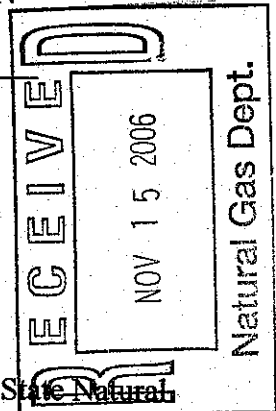


BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the matter of Aquila, Inc. )  
d/b/a Aquila Networks ("Aquila") )  
seeking individual general rate )  
increases for Aquila's Rate Area One, )  
Rate Area Two, and Rate Area Three )

Application No. NG-0041



**APPLICATION FOR RATE INCREASE**

Comes now Aquila Inc. d/b/a Aquila Networks ("Aquila"), pursuant to the State Natural Gas Regulation Act, 66 Neb. Rev. Stat. § 66-1801 et seq. (2003) (the "Act") and the Rules and Regulations of the Commission, Neb. Admin. Code, Title 291, Chapter 9, Pipeline Common Carriers Rules and Regulations ("Chapter 9"), for three separate, but consolidated requests to change the rates for natural gas service provided to Aquila's customers located within Aquila's Rate Area One, Rate Area Two, and Rate Area Three.

In support of its application, Aquila states as follows:

**I. Description of Aquila**

A. In 1985 UtiliCorp United, Inc., now known as Aquila, acquired the natural gas distribution assets of Peoples Natural Gas, division of InterNorth, Inc. At that time, regulation over rates, terms, and conditions of service was vested in each municipality in which it provided service. In 1987, Aquila divided its Nebraska service territory into new Rate Areas as required by the Municipal Natural Gas Regulation Act ("MNGRA") Neb. Rev. Stats. § 19-4607, et seq. (2000). These Rate Areas were approved by the Commission pursuant to its authority under the Act.

B. As a result of Aquila's acquisition of Minnegasco's Nebraska properties in 1993, Aquila's rate area boundaries were modified effective January 1, 1994. Ten Municipalities are currently located in Aquila's Rate Area One.<sup>1</sup> Rate Area One consists of approximately 39,313 customers. Aquila's Rate Area Two consists of the City of Lincoln and the adjacent communities of Walton and Cheney, Nebraska. Rate Area Two consists of approximately 91,490 customers. Rate Area Three consists of ninety-five municipalities in eastern Nebraska. Each of these communities is as listed on Index No. 3 of Aquila's Tariff on file with the Public Service Commission of Nebraska. Rate Area Three consists of approximately 61,595 customers.

C. Aquila's net investment in its Nebraska assets totals approximately \$140,356,677 million. Aquila has approximately 2,484 employees for all of its operations, and it employs approximately 408 employees who are located in Nebraska. Aquila's Nebraska operations relies on several other employees within Aquila's other multi-jurisdictional company, who do not reside in Nebraska.

<sup>1</sup> Those 10 communities are Plattsmouth, Bellevue, Ralston, LaVista, Papillion, Gretna, Waterloo, Elkhorn, Valley, and Blair, Nebraska.

## **II. Communication**

A. Communications regarding this Application should be addressed to the following:

Larry W. Headley  
Director of Regulatory Services  
Aquila Inc.  
Omaha, NE 68102  
(402) 221-2023  
larry.headley@aquila.com

Douglas J. Law  
Attorney  
Blackwell Sanders Peper Martin, LLP  
1620 Dodge Street, Ste. 2100  
(402) 964-5014  
dlaw@blackwellsanders.com

Glenn W. Dee  
State Mgr. Rates and Tariffs – NE  
Aquila Inc.  
Omaha, NE 68102  
(402) 221-2020  
glenn.dee@aquila.com

## **III. Background and Reason For General Rate Filing**

A. Aquila's last rate increase for Rate Area One, Rate Area Two and Rate Area Three was filed in June 2003, based on a test year ending December 31, 2002. Since that time, several events have occurred to render Aquila's current rates inadequate and its revenue requirements deficient. Among those events are increases in both the cost of providing natural gas services and the investment required to serve the growth in Rate Areas One and Two. Aquila has also made significant investments in the replacement and integrity of Aquila's system. These events have a direct impact on the costs to deliver natural gas to customers located within Rate Area One, Rate Area Two, and Rate Area Three.

B. Aquila determined the cost to provide natural gas service to Aquila's customers within Rate Areas One, Two, and Three for the twelve months ending June 30, 2006 (base year). Aquila also compiled data using generally accepted utility practices to formulate its test year, which reflect known and measurable changes, as well as a normalization adjustment, and an annualized adjustment, as required by the Act, to the base year.

C. The rates currently being charged the customers in Rate Areas One, Two, and Three do not and will not provide Aquila with sufficient revenue to enable it to meet the cost of furnishing natural gas to customers within Aquila's Rate Areas One, Two, or Three. Nor will those rates allow Aquila to earn a fair and reasonable return on its investment in its designated Rate Areas One, Two, or Three. In fact, a comparison of revenues to the cost of service shows that Aquila will incur a revenue deficiency of \$16,294,384 during the test period if natural gas rates are not increased.

## **IV. Authority and Request For Increase In Rates**

A. Under the governing laws of the United States, Nebraska law and United States Supreme Court precedent, Aquila is entitled to a fair and reasonable return on its property

required for service to its customers. In determining rates pursuant to the Act, the Nebraska Public Service Commission must "give due consideration to the public need for adequate, efficient, and reasonable natural gas service and to the need of the utility for revenue sufficient to enable it to meet the cost of furnishing the service, including adequate provisions for depreciation of its utility property used and useful in rendering service to the public, and to earn a fair and reasonable return upon the investment in such property." See e.g., 66-1825 Neb. Rev. Stat. § 66-1825. See also, *Bluefield Waterworks and Improvement Co. v. Public Service Commission of West Virginia*, 262 U.S. 679 (1923) and *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591 (1944). The currently approved tariff rates of Aquila, if continued in effect, would not meet the standard established under Nebraska law and would result in the confiscation of the property of Aquila without due process of law in violation of the Fourteenth Amendment of the Constitution of the United States and of Article I, Section 3 of the Constitution of the State of Nebraska. Aquila is suffering and will continue to suffer irreparable injury so long as the existing rates continue in effect.

#### **V. Rate Structure and Effectiveness**

A. Aquila therefore requests that the Commission adopt the new rates contained in the proposed rate schedules included herewith and by reference made a part hereof. Specifically, the proposed rate schedules provide for a customer charge of \$16.00 per month for residential customers and \$20.00 a month for commercial customers. In addition to the monthly customer charge, residential customers will pay \$ .14868, for each therm of natural gas consumed. This charge is in addition to the cost of gas purchased and recovered under Aquila's Gas Cost Adjustment mechanism or other charges approved by the Commission. Commercial customers will pay \$.15803 for each therm of natural gas consumed plus the cost of gas. This cost is in addition to the cost of gas purchased and recovered under Aquila's Gas Cost Adjustment mechanism or other charges approved by the Commission.

B. Aquila requests that the rates shown in the proposed rate schedules be made effective after Commission approval in accordance with the provisions of the Act. See Neb. Rev. Stat. § 66-1838 (2003). By law, Aquila may collect those rates as interim rates, subject to refund, ninety (90) countable days after the date of filing for the increase. Neb. Rev. Stat. § 66-1838 (10)(b).

C. In addition to the rate structure and effectiveness described above, Aquila seeks authority to implement rate recovery mechanisms (e.g., Revenue Normalization Adjustment (RNA), weather normalization adjustment (WNA), limited cost recovery (LCR)) that will provide ongoing rate adjustments. These rate mechanisms or rate adjustments are explained in more detail within the testimony.

#### **VI. Compliance with Filing Requirements for Rate Application**

A. Aquila submits herewith certain information in its rate filing in compliance with the Commission applicable rules and regulation for general rate filings. For example, Rule 004 of Chapter 9, of the Commission rules and regulation requires Aquila's rate filing to include the following information: (1) definitions and general information, (2) computation of its revenue deficiency, (3) operating expense schedules for the base year and test year, (4) rate-of-return and

cost-of-capital schedules, (5) a description of each pro forma adjustment, (6) a fully allocated class cost-of-service study, (7) operating revenue schedules detailing the number and classification of customers, volume of sales, (8) operating revenue by customer classes for the base year on an unadjusted basis and for the test year on a normalized basis, and (9) current and proposed rates. See Neb. Admin. Code, Title 291, Chapter 9, Rule 4 (2003).

B. The above requirements for each Aquila Rate Area can be found in different sections of the filing. Accordingly, all documents located behind designated tabs in this filing are hereby incorporated into this application by reference.

C. The "Definitions" section of the filing describes the base year and test year, and defines other terms used throughout the filing, and provides other general information concerning the filing.

i. The "Financials" section contains a summary of the revenue deficiency computation.

ii. The "Base Year" section provides unadjusted "per book" financial information of the base year. Exhibits include rate base, operating revenues and expenses, capitalization, income tax computation, and return on equity.

iii. The "Test Year" section is financial information representing a fully adjusted base year. Exhibits include rate base, operating revenues and expenses, capitalization, income tax computation, and return on equity.

iv. The "Test Year Proposed" section describes the allocation of revenue deficiency between customer classes and presents the proposed rate design.

v. The "Adjustments" section provides an explanation of all adjustments made to the base year to arrive at known and measurable changes.

vi. The "Cost of Service" section provides Exhibits that explain cost allocations and the general methodology used for the cost-of-service study.

vii. The "Working Capital" section provides an overview of the methodology used to compute cash working capital required for day-to-day operations.

viii. The "Current Rates" section provides the current rate schedules.

ix. The "Red Line Rates" section provides the proposed changes to the "Current Rates" in the required "redline format".

x. The "Proposed Rates" section provides the proposed rate schedules.

D. In developing its test year and in preparing all of the Exhibits contained in this filing, Aquila followed generally accepted utility practices. Verification of all information by an officer of Aquila is attached to this application.

E. In addition to information described above, Aquila has provided the required number of its 2006 annual stockholders report. Id.

F. Aquila's direct testimony in support of its General Rate Filing is filed herewith. The testimony of the witnesses supporting Aquila's General Rate filing is identified below. Among other things, the testimony explains in detail the form of rate design, rate recovery mechanisms, and other items accompanying Aquila's request herein.

## **VII. Testimony In Support of Filing**

A. The following witnesses support Aquila's request for a general rate increase and form of rate recovery. The testimony is contained in the filing. The list of witnesses is provided below:

<b><u>Witness</u></b>	<b><u>Area</u></b>
Steve Pella, Aquila VP of Operations	Company Policy
Richard G. Petersen, Aquila Director of Accounting	Accounting
Vern J. Siemek, Aquila Nebraska Sr. Financial Manager	Pro-Forma Adjustments
Donald A. Murry, VP, C.H. Guernsey & Co.	Cost of Capital
Ruth H. Gustin, Employee Benefits Manager	Health Care Expense
Philip Beyer, Director of Benefits and Human Resources Information Systems	Pension Expense
Matt Daunis, Mgr. Energy Efficiency Programs	Demand-Side Management Program
Thomas J. Sullivan, Project Manager, Black & Veatch	Cost of Service – Rate Design
Paul H. Raab, Independent Economic Consultant	Weather Norm. Adj./RNA Rates
Glenn Dee, State Mgr. of Rates and Tariffs	Working Capital and Pro-Forma Adj.
Jerl Banning, Director of Compensation	Variable Compensation

## **VIII. Protective Order**

A. Aquila further notifies the Commission that it intends to file a request for a "Protective Order" as required under Commission Rule 005 to cover confidential information that will supplement its application and to cover any confidential information submitted in Aquila's work papers, testimony, or exhibits that will be filed throughout the review and approval of its rate application. See Neb. Admin. Code, Title 291, Chapter 9, Proposed Rule 005.01.

## **IX. Municipal Negotiation and Notices of Intent to Proceed Before Commission**

A. In accordance with Subsection (3) of section 66-1838 of the Act, Aquila hereby provides the notice required by the Act that it elects to forgo its right to negotiate directly with the Municipalities located within its Rate Areas, and instead desires to proceed with the review and approval of its general rate filing application by the Commission.

**X. Tariff Changes and Supporting Documentation**

A. In support of this Application, and as provided in section 66-1838 of the Act, Aquila submits herewith the proposed revision to its Tariff to implement its proposed rate increases and other changes. Aquila has chosen at this time to propose minor changes to the Gas Cost Adjustment Tariff (Index No. 8), and several changes to the General Rules and Regulations Tariffs to make them more in line with the current Commission Rules and Regulations. A "redline" version of the tariff changes are included in this filing per Rule and Regulation 157, issued by the Nebraska Public Service Commission.

**XI. Request for Necessary Waivers**

A. While Aquila believes this application to be in full accord with applicable law, Aquila respectfully requests the granting of such waivers as necessary for the acceptance of this application.

**XII. Rate Case Surcharge**


A. Pursuant to § 66-1841 of the Act, Aquila hereby requests continuing authority to collect its regulatory costs, including the Commission's assessment through a surcharge mechanism.

**XIII. Conclusion**

WHEREFORE, Aquila requests that the PSC issue an order accepting and approving this Application for Rate Increase, including the proposed rate schedules included herewith.

Respectfully submitted,

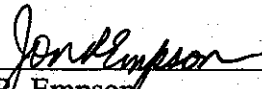
**AQUILA NETWORKS,  
Division of Aquila, Inc.**

By:   
Jon R. Empson  
Senior Vice President – Regulatory,  
Legislative, and Gas Supply Services  
Aquila, Inc.  
1815 Capitol Ave  
Omaha, NE 68102

## VERIFICATION

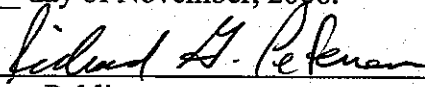
STATE OF NEBRASKA     )  
                                      ) ss.  
COUNTY OF DOUGLAS    )

Jon R. Empson, of lawful age, being first duly sworn, deposes and says that he is the Senior Vice President of Regulatory, Legislative, and Gas Supply Services for Aquila, Inc., that he has read the foregoing Application, knows the contents thereof, and that the statements and allegations therein contained, including the information provided herewith pursuant to the State Natural Gas Regulation Act, are true to the best of his information, knowledge, and belief.

  
\_\_\_\_\_  
Jon R. Empson

SUBSCRIBED AND SWORN TO before me this 1<sup>st</sup> day of November, 2006.



  
\_\_\_\_\_  
Notary Public

## AQUILA NETWORKS NEBRASKA RATE

### DEFINITIONS

- Area Rate** - The rate charged for natural gas service to all customers of the same class located within the rate area.
- Base Year** - Twelve month period ending June 30, 2006. All numbers used are "per books"; i.e. unadjusted.
- Billing Unit** - The standard billing unit shall be Therms. One Therm = 100,000 Btu.
- Capitalization** - Total funds from all sources used to fund the company; e.g. long term debt and common equity.
- Class Cost-of-Service Study** - Study analyzing all costs and assigning that cost directly or indirectly to the various customer classes based on causal affect.
- Customer** - Any purchaser of natural gas served by a jurisdictional utility.
- Customer Charge** - A fixed amount to be paid monthly by the customer without regard to demand or energy consumption.
- Delivery Charge** - A per unit charge, applied to customer's energy consumption, designed to recover non-gas costs associated with the utility's operation.
- Jurisdictional Utility** - A natural gas public utility subject to the jurisdiction of the Nebraska Public Service Commission.
- Rate Area One** - Customers served within the municipal boundaries and surrounding areas of Bellevue, Blair, Elkhorn, Gretna, La Vista, Papillion, Plattsmouth, Ralston, Valley and Waterloo.
- Rate Area Two** - Includes the City of Lincoln, its extra territorial jurisdiction and the communities of Walton and Cheney, Nebraska.
- Rate Area Three** - Customers served within the municipal boundaries and surrounding rural areas of Adams, Arlington, Ashland, Auburn, Aurora, Avoca, Bancroft, Battle Creek, Beatrice, Bee, Beemer, Bennet, Blue Springs, Bradshaw, Clatonia, Columbus, Courtland, Craig, Crete, David City, Dewitt, Dorchester, Eagle, Elmwood, Emerson, Endicott, Exeter, Fairbury, Fairmont, Firth, Friend, Garrison, Geneva, Grafton, Greenwood, Hallam, Hampton, Hickman, Holland, Homer, Hooper, Humboldt, Humphrey, Jackson, Johnson, Lindsay, Louisville, Madison, Manley, Mead, Meadow Grove, Milford, Murdock, Murray, Mynard, Newman Grove, Nickerson, Norfolk, North Bend, Oakland, Odell, Osceola, Palmyra, Panama, Pawnee City, Peru, Pierce, Pilger, Plymouth, Rising City, Rosalie, Schuyler, Scribner, Seward, Shelby, Stanton, Stapelhurst, Sterling, Table Rock, Tecumseh, Tekamah, Thurston, Tilden, Uehling, Ulyssess, Wakefield, Walthill, Waverly, Wayne, Weeping Water, West Point, Wilber, Winnebago, Wymore, and York.



- Rate Base** - Total investment in plant and other assets dedicated to public service. Rate Base is equal to Net Plant-in-Service plus Working Capital plus Materials and Supplies plus Gas-in-Storage plus Prepayments minus Deferred Income Taxes minus Customer Advances minus Customer Deposits.
- Revenue Requirement** - Total of all costs required to provide utility service, including a fair return to investors.
- Test Year** - The base year adjusted for known and measurable changes.
- Working Capital** - Cash required for day-to-day operations, i.e., to cover the time "lag" between services rendered and revenue collected. It also accounts for the "lead" between revenue received and expenses paid; e.g., income taxes.

**AQUILA NETWORKS  
NEBRASKA**

**GENERAL INFORMATION  
2006 RATE CASE**

**DEMAND SIDE MANAGEMENT PROGRAM**

Aquila, Inc is proposing two demand side management programs in its Nebraska service area: 1) Space and Water Heating Equipment Rebates, and 2) Low-income Weatherization. These two programs will meet the needs of a broad range of customers, and allows the customer to capture savings opportunities that would otherwise be lost if standard space and water heating equipment were installed.

**LIMITED COST RECOVERY**

Limited Cost Recovery Mechanism changes rates annually to reflect the normal annual increases in costs to serve gas customers. The annual increase in rates is based on increasing operating costs approved within a General Rate Case using the Consumer Price Index-Urban, and is sought to avoid large increases every three to four years.

**NORMALIZATION**

Aquila's Base Year Revenues were normalized for weather to obtain Test Year Revenue. Weather Normalization is the process of adjusting actual weather data for any impact attributable to colder or warmer-than-normal weather. Normal weather is based on thirty (30) years of historical temperature information from assigned weather stations in Aquila's Nebraska service territory.

The process is essentially a three step procedure involving:

1. Deriving a normalization factor.
2. Applying the normalization factor to the customers' heat sensitive volumes.
3. Adding the normalized heating load to the base load, and multiplying that sum by the June 2006 sales rate.

A customer's base load is considered the average consumption used in the months of July and August, when no space heating is needed. Space heating load is considered heat sensitive, all other is base load.

(Normalization – continued)

The heat sensitive volumes are identified by subtracting the base load from the actual consumption. Normalization factors were developed for each weather station by billing cycle for each month of the year.

Aquila's Test Year Purchases were also normalized using the above process. The volumes determined above were multiplied by the June 2006 recoverable gas cost factors.

## RATE DESIGN

Aquila is proposing a traditional two-part rate design for residential and commercial customers in this rate area. The total revenue requirement will be collected partially through monthly customer charges, other revenue, and applying the delivery charge to the appropriate monthly volumes used. Aquila is proposing a customer charge of \$16.00 and \$20.00 for all Residential Customers and Commercial / Energy Option Firm Customers respectively in Rate Areas One, Two, and Three. A uniform Delivery Charge of \$1.4708 per therm, and \$1.5743 per therm is proposed for the Residential Customers, and Commercial / Energy Option Firm Customers respectively.

## RETURN ON EQUITY

Donald A. Murry, Ph. D., of C.H. Guernsey & Company analyzed the cost of capital of Aquila and recommended a total rate of return on capital for ratemaking purposes in the range of 9.47 percent to 9.73 percent, with a mid-point of 9.6 percent.

This total cost of capital is the result of determining that the relevant capital structure consists of Long-Term Debt of \$134,540,892 and Common Stock Equity of \$138,510,054 for a Total Capitalization of \$273,050,946. Dr. Murry determined that the embedded cost of long-term debt for ratemaking is 7.129 percent.

Embodied in the recommendation was a range of allowed rates of return on common stock of 11.75 percent to 12.25 percent, with a recommended midpoint of 12.00 percent. In reaching this recommendation, Dr. Murry reviewed the current economic environment, the level of interest rates, and the current condition of the equity markets. He also studied the financial, business and regulatory risk of Aquila Networks and other gas distribution utilities. In this analysis, he selected a group of regulated gas distribution companies that are similar to Aquila Networks for comparative purposes. He used the market-based Discounted Cash Flow method and the Capital Asset Pricing Model in his analysis of the cost of common stock equity.

To test the adequacy of the recommended return, Dr. Murry calculated the after tax interest coverage ratio that would result from his recommended return and compared this to similar coverage for the comparable gas distribution companies. This analysis confirmed that the recommended return was sufficient to attract and maintain capital, but it also showed that the recommended return was not excessive in as much as the coverage was still lower than the average coverage of the comparable gas utilities studied.

## REVENUE NORMALIZATION ADJUSTMENT RIDER (RNA)

The Revenue Normalization Adjustment Rider is a billing adjustment factor computed on a monthly basis that creates a credit or charge to the monthly delivery charge for firm customers. The mechanism is designed to stabilize the level of actual revenues by eliminating the impacts of weather and conservation.

## WEATHER NORMALIZED ADJUSTED RATES (WNA)

Aquila proposes to implement a Weather Normalization Adjustment (WNA) mechanism. WNAs are ratemaking tools that can offset the impact of unusually warm or unusually cold weather on a gas company's operating revenues and earnings. They work by utilizing an adjustment factor that increases or decreases delivery charge to compensate for deviations from normal weather that cause deviations in revenues and earnings.

This program would benefit customers by moderating winter bills in colder than normal periods. Since such periods are often characterized by both greater consumption and higher gas prices, the program provides customers with financial relief, just when they need it the most.

The Company's proposed WNA incorporates the following features:

1. Over- and under-collections are calculated on a monthly basis, and recovered the following month.
2. Weather normalization will be performed using the same factors that are used to develop normal weather volume and applied to the same rate classes whose sales are weather normalized during the case.
3. The Company will collect/refund the revenue difference in a separate rider, applied to the delivery charge of each rate.

**AQUILA NETWORKS**  
**NEBRASKA OPERATIONS**  
**2006 RATE CASE**  
**REVENUE DEFICIENCY**

**Exhibit I**  
**Schedule A**

		<b><u>BASE YEAR</u></b> <b><u>2006 Per Books</u></b>	<b><u>TEST YEAR</u></b> <b><u>2006 adjusted</u></b>	<b><u>PROPOSED</u></b>
1	Average Rate Base	\$111,302,300	\$138,422,250	\$138,422,250
2	Operating Income	5,677,203	3,373,884	13,456,163
3	Overall Rate of Return	5.10%	2.44%	9.72%
4	Rate of Return Requested	9.60%	9.60%	9.60%
5	Required Operating Income	10,684,803	13,288,266	13,288,266
6	Income Deficiency	5,007,600	9,914,381	(167,897)
7	Revenue Conversion Factor	1.6435	1.6435	1.6435
8	Revenue Deficiency	<u>\$8,230,039</u>	<u>\$16,294,384</u>	<u></u>
9	Percentage Increase in Total Revenues		7.70%	

**AQUILA NETWORKS****Exhibit I  
Schedule B****NEBRASKA OPERATIONS  
2006 RATE CASE  
REVENUE DEFICIENCY BY CLASS  
TEST YEAR**

	<u>RESIDENTIAL</u>	<u>COMM &amp; EO</u>	<u>TOTAL</u>
1 Average Rate Base	\$104,866,878	\$33,555,374	\$138,422,252
2 Operating Income	1,114,962	2,258,923	3,373,884
3 Overall Rate of Return	1.06%	6.73%	2.44%
4 Rate of Return Requested	9.60%	9.60%	9.60%
5 Required Operating Income	10,067,015	3,221,250	13,288,266
6 Income Deficiency	8,952,054	962,328	9,914,381
7 Revenue Conversion Factor	1.6435	1.6435	1.6435
8 Revenue Deficiency	<u>\$14,712,789</u>	<u>\$1,581,595</u>	<u>\$16,294,384</u>

**AQUILA NETWORKS  
NEBRASKA RATE AREA ONE  
2006 RATE CASE**

**Exhibit II - RA1  
Schedule A**

**RATE OF RETURN - COST OF CAPITAL SUMMARY  
BASE YEAR - 2006**

		CAPITALIZATION		COST OF CAPITAL	WEIGHTED COST
		AMOUNT	PERCENT		
<u>June 30, 2006</u>					
1	Long Term Debt	\$134,540,892	49.27%	7.129%	3.51%
2	Common Stock Equity	<u>138,510,054</u>	<u>50.73%</u>	12.000%	<u>6.09%</u>
3	Total Capitalization	<u>\$273,050,946</u>	<u>100.00%</u>		<u>9.60%</u>
<u>June 30, 2005</u>					
4	Long Term Debt	\$200,444,500	48.30%	6.995%	3.38%
5	Common Stock Equity	<u>214,541,788</u>	<u>51.70%</u>	12.000%	<u>6.20%</u>
6	Total Capitalization	<u>\$414,986,288</u>	<u>100.00%</u>		<u>9.58%</u>

**AQUILA NETWORKS  
NEBRASKA RATE AREA ONE  
2006 RATE CASE**

**Exhibit II - RA1  
Schedule B**

**RATE BASE  
BASE YEAR - 2006**

		Ferc Acct	Beginning Balance 07/01/05	Ending Balance 06/30/06
	<u>Utility Plant In Service</u>			
1	Intangible	302-303	\$ 72,682	\$ 71,971
2	Mgf Gas Production	304-311	-	-
3	Work in Progress	107	510,735	(95,179)
4	Transmission	365-369	24,442	23,591
5	Distribution	374-387	37,011,793	37,804,973
6	General	369-389	6,677,750	9,595,720
7	Acquisition Adjustment	114	2,965,121	2,929,722
8			<u>47,262,523</u>	<u>50,330,798</u>
	<u>Prov For Accum Depreciation and Amortization</u>			
9	Intangible	302-303	47,819	49,124
10	Mgf Gas Production	304-311	-	-
11	Work in Progress	107	-	-
12	Transmission	365-369	15,947	16,274
13	Distribution	374-387	14,494,593	14,987,027
14	General	369-389	2,753,346	4,465,732
15	Acquisition Adjustment	115	1,976,930	2,097,948
16			<u>19,288,635</u>	<u>21,616,105</u>
	<u>Net Utility Plant in Service</u>			
17	Intangible	302-303	24,863	22,847
18	Mgf Gas Production	304-311	-	-
19	Work in Progress	107	510,735	(95,179)
20	Transmission	365-369	8,495	7,317
21	Distribution	374-387	22,517,200	22,817,946
22	General	369-389	3,924,404	5,129,988
23	Acquisition Adjustment	114-115	988,191	831,774
24			<u>27,973,888</u>	<u>28,714,693</u>
	<u>Less:</u>			
25	Deferred Income Tax	282	5,663,069	5,824,613
26	Customer Advances	252	(3,736)	-
27	Customer Deposits	235	380,184	437,688
	<u>Plus:</u>			
28	Cash Working Capital		750,233	750,233
29	Materials & Supplies	154/163	70,000	92,966
30	Gas Storage Inventory	164	405,830	425,912
31	Prepayments	165	483,855	698,262
32	Total Rate Base		<u>\$ 23,644,289</u>	<u>\$ 24,419,765</u>



**AQUILA NETWORKS  
NEBRASKA RATE AREA ONE  
2006 RATE CASE**

**Exhibit II - RA1  
Schedule C**

**OPERATING REVENUE AND EXPENSES  
BASE YEAR - 2006**

	FERC ACCT	CUSTOMERS	VOLUMES (MMBtu)	REVENUE
<u>Operating Revenue</u>				
1 Residential	440	35,890	2,549,288	\$ 31,162,043
2 Commercial & Industrial	440	2,920	716,665	8,024,805
3 Energy Options Firm	440	473	268,426	430,998
7 Total Gas Sales		39,283	3,534,379	39,617,846
8 Other Operating Revenue	441-495			343,566
9 Total Revenue				39,961,412
10 Purchased Cost of Gas	800			30,200,516
11 Gross Margin				9,760,896
<u>Utility Operating Expenses:</u>				
12 Mfg Gas Production	717-728			-
13 Production & Gathering	735-742			969
14 Other Gas Supply	813			-
15 Underground Storage	824			-
16 Transmission	859-865			2,160
17 Distribution	870-894			1,854,934
18 Customer Accounting	901-904			1,744,601
19 Customer Service & Inform	908-909			38,535
20 Sales Expense	911-916			175,499
21 Administrative & General	920-935			3,483,822
22 Total Operating Expenses				7,300,520
23 Depreciation & Amortization	403			1,811,800
24 Taxes Other Than Income	408			513,657
25 Net Operating Income Before Income Taxes				\$ 134,919

**AQUILA NETWORKS  
NEBRASKA RATE AREA ONE  
2006 RATE CASE**

**Exhibit II - RA1  
Schedule D**

**INCOME TAX COMPUTATION  
BASE YEAR - 2006**

1	Net Operating Income Before Taxes	\$ 134,919
2	Less: Interest Expense	<u>857,765</u>
3	Net Taxable Income	<u>(722,846)</u>
	<u>Income Tax:</u>	
4	Federal Income Tax	(226,573)
5	State Income Tax	<u>(56,454)</u>
6	Total Taxes	<u>(283,028)</u>
7	Net Operating Income After Taxes	<u>\$ 417,947</u>

**AQUILA NETWORKS  
NEBRASKA RATE AREA ONE  
2006 RATE CASE**

**Exhibit III-RA1  
Schedule A**

**RATE OF RETURN - COST OF CAPITAL SUMMARY  
TEST YEAR - 2006**

		CAPITALIZATION AMOUNT	PERCENT	COST OF CAPITAL	WEIGHTED COST
1	June 30, 2006 Long Term Debt	\$134,540,892	49.27%	7.129%	3.51%
2	Common Stock Equity	<u>138,510,054</u>	<u>50.73%</u>	12.000%	<u>6.09%</u>
3	Total Capitalization	<u>\$273,050,946</u>	<u>100.00%</u>		<u>9.60%</u>
4	June 30, 2006 Long Term Debt	\$134,540,892	49.27%	7.129%	3.51%
5	Common Stock Equity	<u>138,510,054</u>	<u>50.73%</u>	12.000%	<u>6.09%</u>
6	Total Capitalization	<u>\$273,050,946</u>	<u>100.00%</u>		<u>9.60%</u>
7	Average Capitalization				
8	Long Term Debt	\$134,540,892	49.27%	7.129%	3.51%
9	Common Stock Equity	<u>138,510,054</u>	<u>50.73%</u>	12.000%	<u>6.09%</u>
10	Total Capitalization	<u>\$273,050,946</u>	<u>100.00%</u>		<u>9.60%</u>

**AQUILA NETWORKS  
NEBRASKA RATE AREA ONE  
2006 RATE CASE**

**Exhibit III - RA1  
Schedule B**

**RATE BASE  
TEST YEAR - 2006**

		FERC ACCT	BASE YEAR ENDING BALANCE 06/30/2006	TEST YEAR ADJUSTED BALANCE 06/30/2006	Adjustment # Per Exhibit VI Schedule A
	<u>Utility Plant In Service</u>				
1	Intangible	302-303	\$ 71,971	\$ 71,991	1,2
2	MFG Gas Production	304-311	-	-	
3	Work In Progress	107	(95,179)	(116,769)	
4	Transmission	365-369	23,591	23,673	1,2
5	Distribution	374-387	37,804,973	41,510,222	1,2
6	General	369-389	9,595,720	9,981,673	1,2
7	Acquisition Adjustment	114	2,929,722	2,931,501	1,2
8			<u>50,330,798</u>	<u>54,402,291</u>	
	<u>Prov for Accum Depreciation and Amortization</u>				
9	Intangible	302-303	49,124	49,824	1,4
10	MFG Gas Production	304-311	-	-	
11	Work In Progress	107	-	-	
12	Transmission	365-369	16,274	15,073	1,4
13	Distribution	374-387	14,987,027	15,773,747	1,4
14	General	369-389	4,465,732	4,979,548	1,4
15	Acquisition Adjustment	115	2,097,948	2,099,222	1,4
16			<u>21,616,105</u>	<u>22,917,414</u>	
	<u>Net Utility Plant In Service</u>				
17	Intangible	302-303	22,847	22,167	
18	MFG Gas Production	304-311	-	-	
19	Work In Progress	107	(95,179)	(116,769)	
20	Transmission	365-369	7,317	8,600	
21	Distribution	374-387	22,817,946	25,736,475	
22	General	369-389	5,129,988	5,002,125	
23	Acquisition Adjustment	114-115	831,774	832,279	
24			<u>28,714,693</u>	<u>31,484,877</u>	
	<u>Less:</u>				
25	Deferred Income Tax	282	5,824,613	5,884,361	
26	Customer Advances	252	-	-	
27	Customer Deposits	235	437,688	437,707	
	<u>Plus:</u>				
28	Cash Working Capital		750,233	835,026	
29	Materials & Supplies	154/163	92,966	93,743	
30	Gas Storage Inventory	164	425,912	3,422,844	5
31	Prepayments	165	698,262	739,640	8
32	<b>Total Rate Base</b>		<u><b>\$ 24,419,765</b></u>	<u><b>\$ 30,254,062</b></u>	

**AQUILA NETWORKS  
NEBRASKA RATE AREA ONE  
2006 RATE CASE**

**Exhibit III - RA1  
Schedule C**

**OPERATING REVENUE AND EXPENSES  
TEST YEAR - 2006**

	FERC ACCT	CUSTOMERS	VOLUMES (MMBtu)	REVENUE	Adjustment Per Exhibit VI Schedule A
<u>Operating Revenue</u>					
1 Residential	440	36,296	2,819,074	\$ 34,162,155	2,11,21,22
2 Commercial & Industrial	440	2,920	803,002	8,937,790	11,21,22
3 Energy Options Firm	440	473	298,034	463,644	11,21,22
7 Total Gas Sales		39,689	3,920,110	43,563,589	
8 Other Operating Revenue	441-495			343,578	
9 Total Revenue				43,907,167	
10 Purchased Cost of Gas	800			33,671,756	11,21,22
11 Gross Margin				10,235,411	
<u>Utility Operating Expenses</u>					
12 Mfg Gas Production	717-728			-	
13 Production & Gathering	735-742			1,147	various
14 Other Gas Supply	813			-	
15 Underground Storage	824			-	
16 Transmission	859-865			2,334	various
17 Distribution	870-894			2,047,532	various
18 Customer Accounting	901-904			1,584,643	various
19 Customer Service & Inform	908-909			41,301	various
20 Sales Expense	911-916			180,036	various
21 Administrative & General	920-935			4,309,526	various
22 Total Operating Expenses				8,166,519	
23 Depreciation & Amortization	403			2,521,143	1,2,4,12
24 Taxes Other Than Income	408			524,478	6,7,9,10,21,17
25 Net Operating Income Before Income Taxes				\$ (976,729)	

**AQUILA NETWORKS  
NEBRASKA RATE AREA ONE  
2006 RATE CASE**

**Exhibit III - RA1  
Schedule D**

**INCOME TAX COMPUTATION  
TEST YEAR - 2006**

1	Net Operating Income Before Taxes	\$ (976,729)
2	Less: Interest Expense	<u>1,062,700</u>
3	Net Taxable Income	<u>(2,039,429)</u>
	<u>Income Tax:</u>	
4	Federal Income Tax	(639,251)
5	State Income Tax	<u>(159,279)</u>
6	Total Taxes	<u>(798,530)</u>
7	Net Operating Income After Taxes	<u>\$ (178,199)</u>

**AQUILA NETWORKS  
NEBRASKA RATE AREA TWO  
2006 RATE CASE**

**Exhibit II - RA2  
Schedule A**

**RATE OF RETURN - COST OF CAPITAL SUMMARY  
BASE YEAR - 2006**

		CAPITALIZATION		COST OF CAPITAL	WEIGHTED COST
		AMOUNT	PERCENT		
<u>June 30, 2006</u>					
1	Long Term Debt	\$134,540,892	49.27%	7.129%	3.51%
2	Common Stock Equity	138,510,054	50.73%	12.000%	6.09%
3	Total Capitalization	\$273,050,946	100.00%		9.60%
<u>June 30, 2005</u>					
4	Long Term Debt	\$200,444,500	48.30%	6.995%	3.38%
5	Common Stock Equity	214,541,788	51.70%	12.000%	6.20%
6	Total Capitalization	\$414,986,288	100.00%		9.58%

**AQUILA NETWORKS  
NEBRASKA RATE AREA TWO  
2006 RATE CASE**

**Exhibit II - RA2  
Schedule B**

**RATE BASE  
BASE YEAR - 2006**

		Ferc Acct	Beginning Balance 07/01/05	Ending Balance 06/30/06
	<u>Utility Plant In Service</u>			
1	Intangible	302-303	\$ 74,775	\$ 73,894
2	Mgf Gas Production	304-311	-	-
3	Work in Progress	107	775,310	1,117,473
4	Transmission	365-369	-	-
5	Distribution	374-387	71,836,336	73,022,732
6	General	369-389	12,028,255	17,249,248
7	Acquisition Adjustment	114	3,903,418	3,849,718
8			<u>88,618,094</u>	<u>95,313,065</u>
	<u>Prov For Accum Depreciation and Amortization</u>			
9	Intangible	302-303	49,196	50,434
10	Mgf Gas Production	304-311	-	-
11	Work in Progress	107	-	-
12	Transmission	365-369	-	-
13	Distribution	374-387	28,132,613	27,292,779
14	General	369-389	4,959,447	8,027,591
15	Acquisition Adjustment	115	2,602,517	2,756,747
16			<u>35,743,773</u>	<u>38,127,551</u>
	<u>Net Utility Plant in Service</u>			
17	Intangible	302-303	25,579	23,460
18	Mgf Gas Production	304-311	-	-
19	Work in Progress	107	775,310	1,117,473
20	Transmission	365-369	-	-
21	Distribution	374-387	43,703,723	45,729,953
22	General	369-389	7,068,808	9,221,657
23	Acquisition Adjustment	114-115	1,300,901	1,092,971
24			<u>52,874,321</u>	<u>57,185,514</u>
	<u>Less:</u>			
25	Deferred Income Tax	282	10,703,944	11,599,757
26	Customer Advances	252	(3,786)	-
27	Customer Deposits	235	860,222	990,198
	<u>Plus:</u>			
28	Cash Working Capital		1,292,323	1,292,323
29	Materials & Supplies	154/163	134,190	176,847
30	Gas Storage Inventory	164	1,083,024	1,355,671
31	Prepayments	165	914,550	1,390,593
32	<b>Total Rate Base</b>		<u><u>\$ 44,738,028</u></u>	<u><u>\$ 48,810,993</u></u>



**AQUILA NETWORKS  
NEBRASKA RATE AREA TWO  
2006 RATE CASE**

**Exhibit II - RA2  
Schedule C**

**OPERATING REVENUE AND EXPENSES  
BASE YEAR - 2006**

	FERC ACCT	CUSTOMERS	VOLUMES (MMBtu)	REVENUE
<u>Operating Revenue</u>				
1 Residential	440	83,700	4,932,390	\$ 59,500,332
2 Commercial & Industrial	440	6,078	1,998,162	22,194,190
3 Energy Options Firm	440	1,647	720,895	1,463,188
7 Total Gas Sales		91,425	7,651,447	83,157,710
8 Other Operating Revenue	441-495			916,817
9 Total Revenue				84,074,527
10 Purchased Cost of Gas	800			61,092,500
11 Gross Margin				22,982,027
<u>Utility Operating Expenses:</u>				
12 Mfg Gas Production	717-728			-
13 Production & Gathering	735-742			2,099
14 Other Gas Supply	813			-
15 Underground Storage	824			-
16 Transmission	859-865			3,444
17 Distribution	870-894			3,337,556
18 Customer Accounting	901-904			3,081,997
19 Customer Service & Inform	908-909			88,113
20 Sales Expense	911-916			401,289
21 Administrative & General	920-935			6,267,409
22 Total Operating Expenses				13,181,907
23 Depreciation & Amortization	403			3,667,169
24 Taxes Other Than Income	408			1,008,432
25 Net Operating Income Before Income Taxes				\$ 5,124,519

**AQUILA NETWORKS  
NEBRASKA RATE AREA TWO  
2006 RATE CASE**

**Exhibit II - RA2  
Schedule D**

**INCOME TAX COMPUTATION  
BASE YEAR - 2006**

1	Net Operating Income Before Taxes	\$ 5,124,519
2	Less: Interest Expense	<u>1,714,528</u>
3	Net Taxable Income	<u>3,409,991</u>
	<u>Income Tax:</u>	
4	Federal Income Tax	1,068,848
5	State Income Tax	<u>266,320</u>
6	Total Taxes	<u>1,335,168</u>
7	Net Operating Income After Taxes	<u><u>\$ 3,789,351</u></u>

**AQUILA NETWORKS  
NEBRASKA RATE AREA TWO  
2006 RATE CASE**

**Exhibit III - RA2  
Schedule A**

**RATE OF RETURN - COST OF CAPITAL SUMMARY  
TEST YEAR - 2006**

		CAPITALIZATION AMOUNT	PERCENT	COST OF CAPITAL	WEIGHTED COST
1	June 30, 2006 Long Term Debt	\$134,540,892	49.27%	7.129%	3.51%
2	Common Stock Equity	<u>138,510,054</u>	<u>50.73%</u>	12.000%	<u>6.09%</u>
3	Total Capitalization	<u>\$273,050,946</u>	<u>100.00%</u>		<u>9.60%</u>
4	June 30, 2006 Long Term Debt	\$134,540,892	49.27%	7.129%	3.51%
5	Common Stock Equity	<u>138,510,054</u>	<u>50.73%</u>	12.000%	<u>6.09%</u>
6	Total Capitalization	<u>\$273,050,946</u>	<u>100.00%</u>		<u>9.60%</u>
7	Average Capitalization				
8	Long Term Debt	\$134,540,892	49.27%	7.129%	3.51%
9	Common Stock Equity	<u>138,510,054</u>	<u>50.73%</u>	12.000%	<u>6.09%</u>
10	Total Capitalization	<u>\$273,050,946</u>	<u>100.00%</u>		<u>9.60%</u>

**AQUILA NETWORKS  
NEBRASKA RATE AREA TWO  
2006 RATE CASE**

**Exhibit III - RA2  
Schedule B**

**RATE BASE  
TEST YEAR - 2006**

		BASE YEAR ENDING BALANCE 06/30/2006	TEST YEAR ADJUSTED BALANCE 06/30/2006	Adjustment # Per Exhibit VI Schedule A	
	FERC ACCT				
<u>Utility Plant In Service</u>					
1	Intangible	302-303	\$ 73,894	\$ 74,132	1,3
2	MFG Gas Production	304-311	-	-	
3	Work In Progress	107	1,117,473	1,371,432	6,7,9,10
4	Transmission	365-369	-	3,380,057	1,3
5	Distribution	374-387	73,022,732	79,693,101	1,3
6	General	369-389	17,249,248	17,580,839	1,3
7	Acquisition Adjustment	114	3,849,718	4,427,392	1,3
8			<u>95,313,065</u>	<u>106,526,953</u>	
<u>Prov for Accum Depreciation and Amortization</u>					
9	Intangible	302-303	50,434	51,305	1,3,4
10	MFG Gas Production	304-311	-	-	
11	Work In Progress	107	-	-	
12	Transmission	365-369	-	2,152,109	1,3,4
13	Distribution	374-387	27,292,779	28,666,855	1,3,4
14	General	369-389	8,027,591	8,770,538	1,3,4
15	Acquisition Adjustment	115	2,756,747	3,142,076	1,3,4
16			<u>38,127,551</u>	<u>42,782,883</u>	
<u>Net Utility Plant In Service</u>					
17	Intangible	302-303	23,460	22,827	
18	MFG Gas Production	304-311	-	-	
19	Work In Progress	107	1,117,473	1,371,432	
20	Transmission	365-369	-	1,227,948	
21	Distribution	374-387	45,729,953	51,026,246	
22	General	369-389	9,221,657	8,810,301	
23	Acquisition Adjustment	114-115	1,092,971	1,285,316	
24			<u>57,185,514</u>	<u>63,744,070</u>	
<u>Less:</u>					
25	Deferred Income Tax	282	11,599,757	11,913,437	
26	Customer Advances	252	-	-	
27	Customer Deposits	235	990,198	990,198	
<u>Plus:</u>					
28	Cash Working Capital		1,292,323	1,389,279	
29	Materials & Supplies	154/163	176,847	183,056	
30	Gas Storage Inventory	164	1,355,671	10,408,501	5
31	Prepayments	165	1,390,593	1,497,471	8
32	Total Rate Base		<u>\$ 48,810,993</u>	<u>\$ 64,318,742</u>	

**AQUILA NETWORKS  
NEBRASKA RATE AREA TWO  
2006 RATE CASE**

**Exhibit III - RA2  
Schedule C**

**OPERATING REVENUE AND EXPENSES  
TEST YEAR - 2006**

	FERC ACCT	CUSTOMERS	VOLUMES (MMBtu)	REVENUE	Adjustment Per Exhibit VI Schedule A
<u>Operating Revenue</u>					
1 Residential	440	83,700	5,552,571	\$ 65,828,173	11,21,22
2 Commercial & Industrial	440	6,078	2,199,380	24,296,861	11,21,22
3 Energy Options Firm	440	1,647	811,531	1,588,580	11,21,22
7 Total Gas Sales		91,425	8,563,482	91,713,614	
8 Other Operating Revenue	441-495			916,815	
9 Total Revenue				92,630,429	
10 Purchased Cost of Gas	800			68,334,044	11,21,22
11 Gross Margin				24,296,385	
<u>Utility Operating Expenses</u>					
12 Mfg Gas Production	717-728			-	
13 Production & Gathering	735-742			2,505	various
14 Other Gas Supply	813			-	
15 Underground Storage	824			-	
16 Transmission	859-865			5,040	various
17 Distribution	870-894			3,630,476	various
18 Customer Accounting	901-904			2,691,843	various
19 Customer Service & Inform	908-909			93,878	various
20 Sales Expense	911-916			409,226	various
21 Administrative & General	920-935			7,609,582	various
22 Total Operating Expenses				14,442,550	
23 Depreciation & Amortization	403			5,912,509	1,3,4,12
24 Taxes Other Than Income	408			1,069,146	3,6,7,9,10,21,17
25 Net Operating Income Before Income Taxes				\$ 2,872,180	

**AQUILA NETWORKS  
NEBRASKA RATE AREA TWO  
2006 RATE CASE**

**Exhibit III - RA2  
Schedule D**

**INCOME TAX COMPUTATION  
TEST YEAR - 2006**

1	Net Operating Income Before Taxes	\$ 2,872,180
2	Less: Interest Expense	<u>2,259,252</u>
3	Net Taxable Income	<u>612,928</u>
	<u>Income Tax:</u>	
4	Federal Income Tax	192,120
5	State Income Tax	<u>47,870</u>
6	Total Taxes	<u>239,990</u>
7	Net Operating Income After Taxes	<u>\$ 2,632,190</u>

**AQUILA NETWORKS  
NEBRASKA RATE AREA THREE  
2006 RATE CASE**

**Exhibit II - RA3  
Schedule A**

**RATE OF RETURN - COST OF CAPITAL SUMMARY  
BASE YEAR - 2006**

		CAPITALIZATION		COST OF CAPITAL	WEIGHTED COST
		AMOUNT	PERCENT		
<u>June 30, 2006</u>					
1	Long Term Debt	\$134,540,892	49.27%	7.129%	3.51%
2	Common Stock Equity	<u>138,510,054</u>	<u>50.73%</u>	12.000%	<u>6.09%</u>
3	Total Capitalization	<u>\$273,050,946</u>	<u>100.00%</u>		<u>9.60%</u>
<u>June 30, 2005</u>					
4	Long Term Debt	\$200,444,500	48.30%	6.995%	3.38%
5	Common Stock Equity	<u>214,541,788</u>	<u>51.70%</u>	12.000%	<u>6.20%</u>
6	Total Capitalization	<u>\$414,986,288</u>	<u>100.00%</u>		<u>9.58%</u>

**AQUILA NETWORKS  
NEBRASKA RATE AREA THREE  
2006 RATE CASE**

**Exhibit II - RA3  
Schedule B**

**RATE BASE  
BASE YEAR - 2006**

		Ferc Acct	Beginning Balance 07/01/05	Ending Balance 06/30/06
	<u>Utility Plant In Service</u>			
1	Intangible	302-303	\$ 136,458	\$ 122,994
2	Mgf Gas Production	304-311	-	-
3	Work in Progress	107	(39,188)	348,746
4	Transmission	365-369	148,470	135,613
5	Distribution	374-387	63,451,377	59,092,924
6	General	369-389	11,135,924	15,368,164
7	Acquisition Adjustment	114	-	-
8			74,833,041	75,068,441
	<u>Prov For Accum Depreciation and Amortization</u>			
9	Intangible	302-303	89,778	83,945
10	Mgf Gas Production	304-311	-	-
11	Work in Progress	107	-	-
12	Transmission	365-369	96,870	93,551
13	Distribution	374-387	24,848,887	23,431,647
14	General	369-389	4,591,524	7,152,158
15	Acquisition Adjustment	115	-	-
16			29,627,059	30,761,301
	<u>Net Utility Plant in Service</u>			
17	Intangible	302-303	46,680	39,049
18	Mgf Gas Production	304-311	-	-
19	Work in Progress	107	(39,188)	348,746
20	Transmission	365-369	51,600	42,062
21	Distribution	374-387	38,602,490	35,661,277
22	General	369-389	6,544,400	8,216,006
23	Acquisition Adjustment	114-115	-	-
24			45,205,982	44,307,140
	<u>Less:</u>			
25	Deferred Income Tax	282	9,151,556	8,987,452
26	Customer Advances	252	(3,786)	-
27	Customer Deposits	235	714,731	801,875
	<u>Plus:</u>			
28	Cash Working Capital		1,036,461	1,036,461
29	Materials & Supplies	154/163	119,695	146,267
30	Gas Storage Inventory	164	1,633,213	1,293,575
31	Prepayments	165	781,913	1,077,426
32	Total Rate Base		\$ 38,914,763	\$ 38,071,542



**AQUILA NETWORKS  
NEBRASKA RATE AREA THREE  
2006 RATE CASE**

**Exhibit II - RA3  
Schedule C**

**OPERATING REVENUE AND EXPENSES  
BASE YEAR - 2006**

	FERC ACCT	CUSTOMERS	VOLUMES (MMBtu)	REVENUE
<u>Operating Revenue</u>				
1 Residential	440	53,467	3,593,601	\$ 47,995,038
2 Commercial & Industrial	440	5,492	1,386,285	17,161,318
3 Energy Options Firm	440	2,321	934,241	1,889,659
7 Total Gas Sales		61,280	5,914,127	67,046,015
8 Other Operating Revenue	441-495			523,114
9 Total Revenue				67,569,129
10 Purchased Cost of Gas	800			50,676,208
11 Gross Margin				16,892,921
<u>Utility Operating Expenses:</u>				
12 Mfg Gas Production	717-728			-
13 Production & Gathering	735-742			1,622
14 Other Gas Supply	813			-
15 Underground Storage	824			-
16 Transmission	859-865			3,367
17 Distribution	870-894			2,939,352
18 Customer Accounting	901-904			2,784,762
19 Customer Service & Inform	908-909			62,441
20 Sales Expense	911-916			284,373
21 Administrative & General	920-935			5,580,436
22 Total Operating Expenses				11,656,353
23 Depreciation & Amortization	403			2,637,025
24 Taxes Other Than Income	408			1,056,222
25 Net Operating Income Before Income Taxes				\$ 1,543,321

**AQUILA NETWORKS  
NEBRASKA RATE AREA THREE  
2006 RATE CASE**

**Exhibit II - RA3  
Schedule D**

**INCOME TAX COMPUTATION  
BASE YEAR - 2006**

1	Net Operating Income Before Taxes	\$ 1,543,321
2	Less: Interest Expense	<u>1,337,296</u>
3	Net Taxable Income	<u>206,025</u>
	<u>Income Tax:</u>	
4	Federal Income Tax	57,324
5	State Income Tax	<u>16,091</u>
6	Total Taxes	<u>73,415</u>
7	Net Operating Income After Taxes	<u>\$ 1,469,906</u>

**AQUILA NETWORKS  
NEBRASKA RATE AREA THREE  
2006 RATE CASE**

**Exhibit III - RA3  
Schedule A**

**RATE OF RETURN - COST OF CAPITAL SUMMARY  
TEST YEAR - 2006**

		CAPITALIZATION AMOUNT	PERCENT	COST OF CAPITAL	WEIGHTED COST
1	June 30, 2006 Long Term Debt	\$134,540,892	49.27%	7.129%	3.51%
2	Common Stock Equity	<u>138,510,054</u>	<u>50.73%</u>	12.000%	<u>6.09%</u>
3	Total Capitalization	<u>\$273,050,946</u>	<u>100.00%</u>		<u>9.60%</u>
4	June 30, 2006 Long Term Debt	\$134,540,892	49.27%	7.129%	3.51%
5	Common Stock Equity	<u>138,510,054</u>	<u>50.73%</u>	12.000%	<u>6.09%</u>
6	Total Capitalization	<u>\$273,050,946</u>	<u>100.00%</u>		<u>9.60%</u>
7	Average Capitalization				
8	Long Term Debt	\$134,540,892	49.27%	7.129%	3.51%
9	Common Stock Equity	<u>138,510,054</u>	<u>50.73%</u>	12.000%	<u>6.09%</u>
10	Total Capitalization	<u>\$273,050,946</u>	<u>100.00%</u>		<u>9.60%</u>

**AQUILA NETWORKS  
NEBRASKA RATE AREA THREE  
2006 RATE CASE**

**Exhibit III - RA3  
Schedule B**

**RATE BASE  
TEST YEAR - 2006**

	FERC ACCT	BASE YEAR ENDING BALANCE 06/30/2006	TEST YEAR ADJUSTED BALANCE 06/30/2006	Adjustment # Per Exhibit VI Schedule A	
<u>Utility Plant In Service</u>					
1	Intangible	302-303	\$ 122,994	\$ 123,042	1
2	MFG Gas Production	304-311	-	-	
3	Work In Progress	107	348,746	428,548	6,7,9,10
4	Transmission	365-369	135,613	136,958	1
5	Distribution	374-387	59,092,924	61,949,894	1
6	General	369-389	15,368,164	15,530,345	1
7	Acquisition Adjustment	114	-	-	
8			<u>75,068,441</u>	<u>78,168,787</u>	
<u>Prov for Accum Depreciation and Amortization</u>					
9	Intangible	302-303	83,945	85,156	1,4
10	MFG Gas Production	304-311	-	-	
11	Work In Progress	107	-	-	
12	Transmission	365-369	93,551	87,202	1,4
13	Distribution	374-387	23,431,647	23,555,656	1,4
14	General	369-389	7,152,158	7,747,610	1,4
15	Acquisition Adjustment	115	-	-	1,4
16			<u>30,761,301</u>	<u>31,475,624</u>	
<u>Net Utility Plant In Service</u>					
17	Intangible	302-303	39,049	37,886	
18	MFG Gas Production	304-311	-	-	
19	Work In Progress	107	348,746	428,548	
20	Transmission	365-369	42,062	49,756	
21	Distribution	374-387	35,661,277	38,394,238	
22	General	369-389	8,216,006	7,782,735	
23	Acquisition Adjustment	114-115	-	-	
24			<u>44,307,140</u>	<u>46,693,163</u>	
<u>Less:</u>					
25	Deferred Income Tax	282	8,987,452	8,726,711	
26	Customer Advances	252	-	-	
27	Customer Deposits	235	801,875	801,875	
<u>Plus:</u>					
28	Cash Working Capital		1,036,461	1,120,139	
29	Materials & Supplies	154/163	146,267	141,286	
30	Gas Storage Inventory	164	1,293,575	4,326,112	5
31	Prepayments	165	1,077,426	1,096,912	8
32	Total Rate Base		<u>\$ 38,071,542</u>	<u>\$ 43,849,026</u>	

**AQUILA NETWORKS  
NEBRASKA RATE AREA THREE  
2006 RATE CASE**

**Exhibit III - RA3  
Schedule C**

**OPERATING REVENUE AND EXPENSES  
TEST YEAR - 2006**

	FERC ACCT	CUSTOMERS	VOLUMES (MMBtu)	REVENUE	Adjustment Per Exhibit VI Schedule A
<u>Operating Revenue</u>					
1 Residential	440	53,467	4,076,114	\$ 53,490,472	11,21,22
2 Commercial & Industrial	440	5,492	1,556,602	19,137,252	11,21,22
3 Energy Options Firm	440	2,321	1,045,999	2,014,601	11,21,22
7 Total Gas Sales		61,280	6,678,715	74,642,325	
8 Other Operating Revenue	441-495			523,119	
9 Total Revenue				75,165,444	
10 Purchased Cost of Gas	800			57,241,727	11,21,22
11 Gross Margin				17,923,717	
<u>Utility Operating Expenses</u>					
12 Mfg Gas Production	717-728			-	
13 Production & Gathering	735-742			1,954	various
14 Other Gas Supply	813			-	
15 Underground Storage	824			-	
16 Transmission	859-865			3,367	various
17 Distribution	870-894			3,097,685	various
18 Customer Accounting	901-904			2,531,044	various
19 Customer Service & Inform	908-909			66,774	various
20 Sales Expense	911-916			291,075	various
21 Administrative & General	920-935			6,711,676	various
22 Total Operating Expenses				12,703,575	
23 Depreciation & Amortization	403			3,590,322	1,4,12
24 Taxes Other Than Income	408			1,109,133	6,7,9,10,21,17
25 Net Operating Income Before Income Taxes				\$ 520,687	

**AQUILA NETWORKS  
NEBRASKA RATE AREA THREE  
2006 RATE CASE**

**Exhibit III - RA3  
Schedule D**

**INCOME TAX COMPUTATION  
TEST YEAR - 2006**

1	Net Operating Income Before Taxes	\$ 520,687
2	Less: Interest Expense	<u>1,540,235</u>
3	Net Taxable Income	<u>(1,019,548)</u>
	<u>Income Tax:</u>	
4	Federal Income Tax	(319,573)
5	State Income Tax	<u>(79,627)</u>
6	Total Taxes	<u>(399,200)</u>
7	Net Operating Income After Taxes	<u>\$ 919,887</u>

**AQUILA NETWORKS  
NEBRASKA OPERATIONS  
2006 RATE CASE**

**Exhibit IV  
Schedule A**

**DEFICIENCY BY CLASS**

Current Margin Computation		<u>RESIDENTIAL</u>	<u>COMM &amp; EO</u>	<u>TOTAL</u>
1	Total Revenue	153,480,800	56,438,728	\$209,919,528
2	Total Purchases	<u>116,381,801</u>	<u>42,865,726</u>	<u>159,247,527</u>
3	Current Margin	37,098,999	13,573,002	50,672,001
4	Current Margin %	73.21%	26.79%	100.00%
5	Current Revenue %	73.11%	26.89%	100.00%
6	Total Deficiency			16,294,384
7	Deficiency Percentage	90.29%	9.71%	100.00%
8	Revenue Increase	14,712,789	1,581,595	16,294,384
9	Proposed Gas Margin	51,811,788	15,154,597	66,966,385
10	Other Operating Revenues			1,783,512
11	Total Gross Margin			<u>\$68,749,897</u>
12	Current Average Annual Bill	\$884.80	\$2,981.29	
13	Proposed Average Annual Bill	\$969.62	\$3,064.83	
14	Total Percentage Increase	9.59%	2.80%	
15	Average Monthly Increase	\$7.07	\$6.96	

**AQUILA NETWORKS  
NEBRASKA OPERATIONS  
2006 RATE CASE**

**Exhibit IV  
Schedule B  
Page 1 of 3**

**RATE DESIGN  
Proposed**

	<u>RESIDENTIAL</u>	<u>COMM &amp; EO</u>	<u>TOTAL</u>
1 Proposed Gas Margin	\$51,811,788	\$15,154,597	\$66,966,385
<u>Proposed Customer Charge:</u>			
2 Number of Customers	173,463	18,931	
3 Proposed Monthly Customer Chrg	\$16.00	\$20.00	
4 Customer Charge Margin	\$ 33,304,896	\$ 4,543,440	\$ 37,848,336
<u>Proposed Commodity Charge:</u>			
5 Commodity Margin	\$18,506,892	\$10,611,157	\$29,118,049
6 Commodity Volumes	12,447,759	6,714,548	
7 Commodity Rate	\$1.4868	\$1.5803	
	<u>CURRENT</u>		<u>PROPOSED</u>
<u>Residential:</u>			
8 Monthly Customer Charge	\$11.00		\$16.00
9 Commodity Margin			\$1.4868
<u>Commercial &amp; Energy Options:</u>			
10 Monthly customer Charge	\$15.00		\$20.00
11 Commodity Margin			\$1.5803

Proposed Revenue based on Rate Design	Residential	Commercial	Total
Customer Charge	\$33,304,896	\$4,543,440	\$37,848,336
Delivery Charge	\$18,506,892	\$10,611,157	\$29,118,049
Total Per Rate Design	\$51,811,788	\$15,154,597	\$66,966,385
Over / Under Recovered	\$0	\$0	\$0



**AQUILA NETWORKS  
NEBRASKA OPERATIONS  
2006 RATE CASE**

**Exhibit IV  
Schedule B  
Page 2 of 3**

**RATE DESIGN  
Alternative 1 - Increase in Customer Charge Only**

	<u>RESIDENTIAL</u>	<u>COMM &amp; EO</u>	<u>TOTAL</u>
1 Proposed Gas Margin	\$51,811,788	\$15,154,597	\$66,966,385
<u>Proposed Customer Charge:</u>			
2 Number of Customers	173,463	18,931	
3 Proposed Monthly Customer Chrg	\$18.07	\$21.96	
4 Customer Charge Margin	\$ 37,613,717	\$ 4,988,697	\$ 42,602,414
<u>Proposed Commodity Charge:</u>			
5 Commodity Margin	\$14,198,071	\$10,165,900	\$24,363,971
6 Commodity Volumes	12,447,759	6,714,548	
7 Commodity Rate	\$1.1406	\$1.5140	
	<u>CURRENT</u>		<u>PROPOSED</u>
<u>Residential:</u>			
8 Monthly Customer Charge	\$11.00		\$18.07
9 Commodity Margin			\$1.1406
<u>Commercial &amp; Energy Options:</u>			
10 Monthly customer Charge	\$15.00		\$21.96
11 Commodity Margin			\$1.5140

Proposed Revenue based on Rate Design	Residential	Commercial	Total
Customer Charge	\$37,613,717	\$4,988,697	\$42,602,414
Delivery Charge	\$14,198,071	\$10,165,900	\$24,363,971
<b>Total Per Rate Design</b>	<b>\$51,811,788</b>	<b>\$15,154,597</b>	<b>\$66,966,385</b>
<b>Over / Under Recovered</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**AQUILA NETWORKS  
NEBRASKA OPERATIONS  
2006 RATE CASE**

**Exhibit IV  
Schedule B  
Page 3 of 3**

**RATE DESIGN  
Alternative 2 - Flat Charge - Equalized Among Rate Areas and Classes**

	<u>RESIDENTIAL</u>	<u>COMM &amp; EO</u>	<u>TOTAL</u>
1 Proposed Gas Margin	\$51,811,788	\$15,154,597	\$66,966,385
<u>Proposed Customer Charge:</u>			
2 Number of Customers			192,394
3 Proposed Monthly Customer Chrg			\$ 29.01
4 Customer Charge Margin			\$ 66,966,041
<u>Proposed Commodity Charge:</u>			
5 Commodity Margin			
6 Commodity Volumes			19,162,307
7 Commodity Rate			
	<u>CURRENT</u>		<u>PROPOSED</u>
<u>Residential:</u>			
8 Monthly Customer Charge	\$11.00		\$29.01
9 Commodity Margin			\$0.0000
<u>Commercial &amp; Energy Options:</u>			
10 Monthly customer Charge	\$15.00		\$29.01
11 Commodity Margin			\$0.0000

**AQUILA NETWORKS  
NEBRASKA OPERATIONS  
2006 RATE CASE**

**Exhibit IV  
Schedule C**

**OPERATING REVENUE AND EXPENSES  
TEST YEAR - 2006**

**(PROPOSED RATES)**

	FERC ACCT	CUSTOMERS	VOLUMES (MMBtu)	REVENUE
<u>Operating Revenue</u>				
1 Residential	440	173,463	12,447,759	\$ 168,193,589
2 Comm, Industrial & EO	440	18,931	6,714,548	58,020,323
3 Total Gas Sales		192,394	19,162,307	226,213,912
4 Other Operating Revenue	441-495			1,783,512
5 Total Revenue				227,997,424
6 Purchased Cost of Gas	800			159,247,527
7 Gross Margin				68,749,897
<u>Utility Operating Expenses:</u>				
8 Mfg Gas Production	717-728			-
9 Production & Gathering	735-742			5,606
10 Other Gas Supply	813			-
11 Underground Storage	824			-
12 Transmission	859-865			10,741
13 Distribution	870-894			8,775,694
14 Customer Accounting	901-904			6,807,530
15 Customer Service & Inform	908-909			201,953
16 Sales Expense	911-916			880,337
17 Administrative & General	920-935			18,630,784
18 Total Operating Expenses				35,312,645
19 Depreciation & Amortization	403			12,023,974
20 Taxes Other Than Income	408			2,702,757
21 Net Operating Income Before Income Taxes				18,710,521

**AQUILA NETWORKS  
NEBRASKA OPERATIONS  
2006 RATE CASE**

**Exhibit IV  
Schedule D**

**INCOME TAX COMPUTATION  
TEST YEAR - 2006**

**(PROPOSED RATES)**

1	Net Operating Income Before Taxes	\$ 18,710,521
2	Less: Interest Expense	<u>4,862,201</u>
3	Net Taxable Income	<u>13,848,320</u>
	<u>Income Tax:</u>	
4	Federal Income Tax	4,340,700
5	State Income Tax	<u>1,081,554</u>
6	Total Taxes	<u>5,422,254</u>
7	Net Operating Income After Taxes	<u><u>\$ 13,288,267</u></u>

**AQUILA NETWORKS  
NEBRASKA  
2006 RATE CASE**

**CASH WORKING CAPITAL**

The purpose of the cash working capital allowance is to compensate the investors for the use (value) of their money when the Company is required to pay expenses prior to receiving from the ratepayers the revenues associated with those expenses.

Lead/lag measures the amount of cash working capital needed by looking at the timing difference between when cash comes in and when it is disbursed for various expenses.

**I. REVENUE LAG**

**A. Metering Period**

Aquila Networks' ("Aquila"), meters are read and bills are computed on a monthly basis. Therefore the total days of lag between initially providing service to a customer during any billing period and the date of reading the customer's meter is an average of 30.4 days. This means that the company does incur expenses associated with that customer for 30.4 days before his meter is read. Since a lead-lag computation is on an average basis, the average number of days of lead would be approximately one-half of the 30.4 days or 15.2 days which represents the midpoint of the metering cycle.

**B. Processing Time**

Aquila's billing schedule allows two days to read an individual meter within a billing cycle and two days to process the reading and issue the actual bill. The bill is mailed the next day (5 days).

This schedule represents the average processing time that has been established to allow for bill calculation in the most efficient time possible. The cycle processing schedule minimizes possible deviations and maximizes the efficient and effective use of Aquila's resources. This process accommodates the majority of normal situations.

**C. Collection Period**

The Collection Period of the system is calculated as follows:

The average lag time for the Nebraska revenue system is calculated by first reviewing the company's monthly aged Accounts Receivable report for Nebraska. On

each of these reports, there are summaries of amounts in arrears for under 30 days, 30 to 60 days, 60 to 90 days, and over 90 days.

By comparing each of these amounts to the next longer outstanding period, in the following billing month, the amount paid within the period is determined. For example, the decrease of outstanding amount from the 30 to 60 days period in the billing month of January, to the 60 to 90 days period in the billing month of February, represents the amount being paid within the 30 to 60 days period. The amount being paid within a period is assumed to be paid in the middle of each period. Each Nebraska customer receives 20 days to pay their bill. Electronic Fund Transfer customer's payments are deducted from their accounts on the 20<sup>th</sup> day. The amount paid current is assumed to be paid in the middle of the period. A bill is not considered past due until after the 20<sup>th</sup> day. Payments are assumed to have taken place in the middle of the period or on the 25<sup>th</sup>.

Summarized below is a general layout of the calculation used to determine the revenue average lag days for all cycles.

<u>\$Amount</u>	<u>x</u>	<u>No. of Days</u>	<u>= \$ - Day</u>
Under 30 days/before due	x	10	=
Under 30 EFT Payments	x	20	=
Under 30 days pd after due	x	25	=
20 to 30 days	x	25	=
30 to 60 days	x	45	=
60 to 90 days	x	75	=
90 to 120 days	x	105	=
Total \$			=Total \$ - Day

$$\text{No. of lag days} = \frac{\text{Total \$ - Day}}{\text{Total \$}}$$

The above calculation weighs each dollar amount by the number of days outstanding. Therefore, the number of lag days calculated for the system is the weighted average days. A 25.74 day lag for the collection period of the revenue system is obtained by using the following formula:

$$\frac{\$ - \text{Day}}{\$ \text{ Amount}}$$

## II. EXPENSE LEAD

### A. Payroll

Field employees are paid bi-weekly (every other Friday). There are 26 pay periods in the year. The average lead time for these employees is calculated as follows:

$$365 \div 26 \text{ pay periods} = 14.0 \text{ days}$$

The average lead time would be one-half of the 14.0 days or 7.0 days. This is the number of days between the midpoint of the pay period and the date the check is issued.

### B. Gas Purchase Expense

#### 1. Delivery

Gas supplied through the NNG, NGPL, and KMI Pipelines are received on a fiscal monthly basis between the first of one month and the first of the next month. The average lead time due to the delivery of gas is calculated as follows:

$$365 \text{ days divided by } 12 \text{ months} = 30.4 \text{ days per month}$$

$$30.4 \text{ days divided by } 2 = \text{Average of } 15.2 \text{ days}$$

The 15.2 Days represent the midpoint of monthly delivery of gas.



2. Payment

Payment of delivered gas is due according to the Pipeline Invoice. Individual gas invoices were analyzed for twelve months ending June 30, 2006. A weighted average from the delivery date of the gas to the payment of the invoice was computed. The number of days from the delivery period to date paid multiplied by the amount paid was divided by the total amount paid to arrive at the total lead time for gas purchases expense of 41.12 days. Occasionally, a vendor would require Aquila to prepay for gas to be delivered. Prepaid invoices were not included in the computation.

C. Other Operation and Maintenance Expense

An analysis of cash disbursements was performed to determine the number of days between the receipt of goods or services and the payment date of the invoice. Payments for the twelve months ending June 30, 2006 were reviewed for Nebraska Operations.

Based on the number of days between the receipt of the goods or services and the payment date of the selected invoices, an average lead day is calculated. This lead day is then weighted by the total dollar amount to arrive at a composite weighted average lag day of 26.11 days.

### III. SUMMARY

The results of this lead-lag study indicate that Aquila's Nebraska operations overall, had lag time for each of its major classification of expense.

The determination of the average lag time is:

Metering Period	15.2 days
Processing Bills	5.0 days
Collection Period	<u>25.7 days</u>
	45.9 days

The determination of the average lead time is:

Payroll	7.0 days
Purchased Gas	41.1 days
Other Operations and Maintenance Expense	26.1 days

The number of days that cash is required for payroll, purchased gas, and other operation and maintenance expense is calculated as follows:

Payroll:

Lag Time	45.9 days
Less Lead Time	<u>7.0 days</u>
Number of days cash required	38.9 days

Purchased Gas:

Lag Time	45.9 days
Less Lead Time	<u>41.1 days</u>
Number of days cash required	4.8 days

Other Operations and Maintenance Expense:

Lag Time	45.9 days
Less Lead Time	<u>26.1 days</u>
Number of days cash required	19.8 days

The total cash required for a test year is then calculated for each of the three major categories, (payroll, purchased gas, and operation and maintenance expense) by applying the following steps.

1. Determine the annual amount of expense for each of the major categories.
2. Determine the amount per day by dividing the annual amount by 365 days.
3. Multiply the amount per day by the number of days that cash is required, as calculated above, to determine the total cash working capital requirements.
4. Net cash working capital is determined by reducing the total cash requirements by cash available from federal and state income tax accruals, and property tax accruals, and adding back the cash needs associated with interest accruals.

The net cash working capital requirement is added to the other components of working capital such as materials and supplies, prepaid expenses, and deferred charges.

**AQUILA NETWORKS**  
**NEBRASKA RATE AREA ONE**  
**2006 RATE CASE**

Exhibit V  
Schedule B  
Page 1 of 3

**BASE YEAR LEAD LAG COMPUTATION**

	OPERATING EXPENSES (A)	EXP PER DAY AT 365 DAYS/YR (B) ( A/365)	EXPENSE LEAD DAYS (C)	REVENUE LAG EXCESS OF EXP. LEAD DAYS (D)	(BASE YEAR) NET REVENUE LAG DOLLARS (E) ( B * D)
1	Purchased Gas Expense	\$ 30,200,516	\$ 82,741	41.10	\$ 397,157
2	Payroll Related Expenses	3,285,234	9,001	7.00	350,125
3	Other O&M Expenses	4,015,286	11,001	26.10	217,816
4	Total Cash Working Capital				<u>965,098</u>
5	Less: Tax Accruals			NET ACCRUAL AVAILABLE	
6	Federal Income Tax	(226,573)		3.881%	(8,793)
7	State Income Tax	(56,454)		4.090%	(2,309)
8	Property Tax	207,078		74.922%	155,148
					<u>821,052</u>
9	Less: Interest Accrual	857,765		8.256%	<u>70,818</u>
10	Net Cash Working Capital				<u>\$ 750,233</u>

**AQUILA NETWORKS**  
**NEBRASKA RATE AREA TWO**  
**2006 RATE CASE**

Exhibit V  
Schedule B  
Pg 2 of 3

**BASE YEAR LEAD LAG COMPUTATION**

	OPERATING EXPENSES (A)	EXP PER DAY AT 365 DAYS/YR (B) ( A/365)	EXPENSE LEAD DAYS (C)	REVENUE LAG EXCESS OF EXP. LEAD DAYS (D)	(BASE YEAR) NET REVENUE LAG DOLLARS (E) ( B * D)
1	\$ 61,092,500	\$ 167,377	41.10	45.90	\$ 803,408
2	5,931,858	16,252	7.00	38.90	632,190
3	7,250,049	19,863	26.10	19.80	393,290
4					<u>1,828,888</u>
				NET ACCRUAL AVAILABLE	
5	1,068,848			3.881%	41,480
6	266,320			4.090%	10,891
7	457,326			74.922%	342,640
8					<u>1,433,877</u>
9	1,714,528			8.256%	<u>141,554</u>
10					<u>\$ 1,292,323</u>

Total Cash Working Capital

Less: Tax Accruals  
Federal Income Tax  
State Income Tax  
Property Tax

Less: Interest Accrual

Net Cash Working Capital

## BASE YEAR LEAD LAG COMPUTATION

	OPERATING EXPENSES (A)	EXP PER DAY AT 365 DAYS/YR (B) ( A/365)	EXPENSE LEAD DAYS (C)	REVENUE LAG EXCESS OF EXP. LEAD DAYS (D)	(BASE YEAR) NET REVENUE LAG DOLLARS (E) ( B * D)
1 Purchased Gas Expense	\$ 50,676,208	\$ 138,839	41.10	4.80	\$ 666,427
2 Payroll Related Expenses	5,245,359	14,371	7.00	38.90	559,026
3 Other O&M Expenses	6,410,994	17,564	26.10	19.80	347,774
4 Total Cash Working Capital					1,573,227
Less: Tax Accruals				NET ACCRUAL AVAILABLE	
5 Federal Income Tax	57,324			3.881%	2,225
6 State Income Tax	16,091			4.090%	658
7 Property Tax	565,216			74.922%	423,474
8					1,146,871
9 Less: Interest Accrual	1,337,296			8.256%	110,409
10 Net Cash Working Capital					\$ 1,036,461

**AQUILA NETWORKS**  
**NEBRASKA RATE AREA ONE**  
**2006 RATE CASE**

Exhibit V  
Schedule C  
Page 1 of 3

**TEST YEAR LEAD LAG COMPUTATION**

	OPERATING EXPENSES (A)	EXP PER DAY AT 365 DAYS/YR (B) ( A/365)	EXPENSE LEAD DAYS (C)	REVENUE LAG	
				EXCESS OF EXP. LEAD DAYS (D)	NET REVENUE LAG DOLLARS (E) ( B * D)
1 Purchased Gas Expense	\$ 33,671,756	\$ 92,251	41.10	4.80	\$ 442,807
2 Payroll Related Expenses	3,674,934	10,068	7.00	38.90	391,657
3 Other O&M Expenses	4,491,585	12,306	26.10	19.80	243,653
4 Total Cash Working Capital					1,078,117
5 Less: Tax Accruals	(639,256)			NET ACCRUAL AVAILABLE	
6 Federal Income Tax	(159,281)			3.881%	(24,808)
7 State Income Tax	248,596			4.090%	(6,514)
8 Property Tax				74.922%	186,254
					923,185
9 Less: Interest Accrual	1,062,715			8.256%	87,739
10 Net Cash Working Capital					\$ 835,446

OPERATING EXPENSES	EXP PER DAY AT 365 DAYS/YR	EXPENSE LEAD DAYS	REVENUE LAG EXCESS OF EXP LEAD DAYS	NET REVENUE LAG DOLLARS
(A)	(B)	(C)	(D)	(E)
	( A/365)		45.90	( B * D)

4	Total Cash Working Capital	2,022,191
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9	Less: Interest Accrual	2,259,252	8.256%	186,527
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10 Net Cash Working Capital \$ 1,389,279



AQUILA NETWORKS  
NEBRASKA RATE AREA THREE  
2006 RATE CASE

TEST YEAR LEAD LAG COMPUTATION

	OPERATING EXPENSES (A)	EXP PER DAY AT 365 DAYS/YR (B) ( A/365)	EXPENSE LEAD DAYS (C)	REVENUE LAG EXCESS OF EXP. LEAD DAYS (D)	NET REVENUE LAG DOLLARS (E) ( B * D)
1	\$ 57,241,727	\$ 156,827	41.10	4.80	\$ 752,768
2	5,716,609	15,662	7.00	38.90	609,250
3	6,986,966	19,142	26.10	19.80	379,019
4					1,741,036
5	(319,573)			3.881%	(12,402)
6	(79,627)			4.090%	(3,256)
7	679,891			74.922%	509,391
8					1,247,304
9	1,540,235			8.256%	127,164
10					\$ 1,120,139

NET ACCRUAL  
AVAILABLE

**AQUILA NETWORK**

**Exhibit V**  
**Schedule D**

**PERCENTAGE OF FEDERAL INCOME TAX AVAILABLE AS WORKING CAPITAL**

**2006 RATE CASE**

**TOTAL STATE**

LINE NO.	MONTH (A)	CURRENT YEAR'S TAX			PREVIOUS YEAR'S TAX			
		CUMULATIVE COLLECTIONS (B)	CUMULATIVE PAYMENTS (C)	NET ACCRUAL AVAILABLE (D)	CUMULATIVE COLLECTIONS (E)	CUMULATIVE PAYMENTS (F)	NET ACCRUAL AVAILABLE (G)	TOTAL ACCRUAL AVAILABLE (H)
1	January	8.3330%		8.3330%	100.00%	90.00%	10.00%	18.3330%
2	February	16.6660%		16.6660%	100.00%	90.00%	10.00%	26.6660%
3	March	24.9990%		24.9990%	100.00%	100.00%	0.00%	24.9990%
4	April	33.3320%	22.50%	10.8320%			0.00%	10.8320%
5	May	41.6650%	22.50%	19.1650%			0.00%	19.1650%
6	June	49.9980%	45.00%	4.9980%			0.00%	4.9980%
7	July	58.3310%	45.00%	13.3310%			0.00%	13.3310%
8	August	66.6640%	45.00%	21.6640%			0.00%	21.6640%
9	September	74.9970%	67.50%	7.4970%				7.4970%
10	October	83.3300%	67.50%	15.8300%				15.8300%
11	November	91.6630%	67.50%	24.1630%				24.1630%
12	December	99.9960%	90.00%	9.9960%				9.9960%
13	Average		60.07					16.4562%
14	Less: Revenue Lag days		45.90					12.5753%
15	Net Lead Days		14.17					
16								3.8808%

**Notes:**

Columns (B) and (D) Reflect Uniform Monthly Accruals of 8.3333% of Annual Tax

Columns (C) and (E) Reflect Quarterly Payments Made On April 15, June 15, September 15, and December 15th per I.R.S.

CPDE. SECTOPM 6145(B)

**AQUILA NETWORK**

**Exhibit V  
Schedule E**

**2006 RATE CASE  
PERCENTAGE OF UNPAID INTEREST AVAILABLE AS WORKING CAPITAL**

**TOTAL STATE**

LINE NO.	MONTH (A)	CURRENT YEAR'S TAX		PREVIOUS YEAR'S				
		CUMULATIVE COLLECTIONS (B)	CUMULATIVE PAYMENTS (C)	NET ACCRUAL AVAILABLE (D)	CUMULATIVE COLLECTIONS (E)	CUMULATIVE PAYMENTS (F)	NET ACCRUAL AVAILABLE (G)	TOTAL ACCRUAL AVAILABLE (H)
1	January	8.3330%		8.3330%			0.00%	8.3330%
2	February	16.6660%		16.6660%			0.00%	16.6660%
3	March	24.9990%		24.9990%			0.00%	24.9990%
4	April	33.3320%		33.3320%			0.00%	33.3320%
5	May	41.6650%		41.6650%			0.00%	41.6650%
6	June	49.9980%	50.00%	-0.0020%			0.00%	-0.0020%
7	July	58.3310%	50.00%	8.3310%			0.00%	8.3310%
8	August	66.6640%	50.00%	16.6640%				16.6640%
9	September	74.9970%	50.00%	24.9970%				24.9970%
10	October	83.3300%	50.00%	33.3300%				33.3300%
11	November	91.6630%	50.00%	41.6630%				41.6630%
12	December	99.9960%	100.00%	0.0000%				0.0000%
13	Average		76.03					20.8315%
14	Less: Revenue Lag days		45.90					12.5753%
15	Net Lead Days		30.13					
16								8.2562%

**Notes:**  
Columns (B) and (D) Reflect Uniform Monthly Accruals of 8.3333% of Annual Interest Payments  
Column (C) Reflects Equal Semi Annual Payments  
CPDE. SECTOPM 6145(B)

AQUILA NETWORK

2006 RATE CASE

PERCENTAGE OF STATE INCOME TAX AVAILABLE AS WORKING CAPITAL

TOTAL STATE

LINE NO.	MONTH (A)	CURRENT YEAR'S TAX			PREVIOUS YEAR'S TAX		
		CUMULATIVE COLLECTIONS (B)	CUMULATIVE PAYMENTS (C)	NET ACCRUAL AVAILABLE (D)	CUMULATIVE COLLECTIONS (E)	CUMULATIVE PAYMENTS (F)	NET ACCRUAL AVAILABLE (G)
1	January	8.3330%		8.3330%	8.33%	0.00%	8.33%
2	February	16.6660%		16.6660%	8.33%		8.33%
3	March	24.9990%	16.67%	8.3330%	8.33%	8.33%	0.00%
4	April	33.3320%	16.67%	16.6620%			0.00%
5	May	41.6650%	16.67%	24.9950%			0.00%
6	June	49.9980%	41.67%	8.3330%			0.00%
7	July	58.3310%	41.67%	16.6660%			0.00%
8	August	66.6640%	41.67%	24.9970%			0.00%
9	September	74.9970%	66.66%	8.3330%			8.3330%
10	October	83.3300%	66.66%	16.6660%			16.6660%
11	November	91.6630%	66.66%	24.9990%			24.9990%
12	December	99.9960%	91.66%	8.3330%			8.3330%
13	Average		60.83				16.6649%
14	Less: Revenue Lag days		45.90				12.5753%
15	Net Lead Days		14.93				4.0896%
16							

Notes:

Columns (B) and (D) Reflect Uniform Monthly Accruals of 8.3333% of Annual Tax

Columns (C) and (E) Reflect Quarterly Payments Made on March 30th, June 30th, September 30th, and December 31st

CPDE. SECTOPM 6145(B)

**AQUILA NETWORK**

**Exhibit V  
Schedule G**

**2006 RATE CASE  
PERCENTAGE OF PROPERTY TAX AVAILABLE AS WORKING CAPITAL**

**TOTAL STATE**

LINE NO.	MONTH (A)	CURRENT YEAR'S TAX		NET ACCRUAL AVAILABLE (D)	PREVIOUS YEAR'S TAX			TOTAL ACCRUAL AVAILABLE (H)
		CUMULATIVE COLLECTIONS (B)	CUMULATIVE PAYMENTS (C)		CUMULATIVE COLLECTIONS (E)	CUMULATIVE PAYMENTS (F)	NET ACCRUAL AVAILABLE (G)	
1	January	8.3330%		8.3330%	100.00%	0.00%	100.00%	108.3330%
2	February	16.6660%		16.6660%	100.00%	0.00%	100.00%	116.6660%
3	March	24.9990%		24.9990%	100.00%	50.00%	50.00%	74.9990%
4	April	33.3320%		33.3320%	100.00%	50.00%	50.00%	83.3320%
5	May	41.6650%		41.6650%	100.00%	50.00%	50.00%	91.6650%
6	June	49.9980%		49.9980%	100.00%	50.00%	50.00%	99.9980%
7	July	58.3310%		58.3310%	100.00%	100.00%	0.00%	58.3310%
8	August	66.6640%		66.6640%				66.6640%
9	September	74.9970%		74.9970%				74.9970%
10	October	83.3300%		83.3300%				83.3300%
11	November	91.6630%		91.6630%				91.6630%
12	December	99.9960%		99.9960%				99.9960%
13	Average		319.37					87.4978%
14	Less: Revenue Lag days		45.90					12.5753%
15	Net Lead Days		273.47					
16								<u>74.9225%</u>

Notes:  
Columns (B) and (D) Reflect Uniform Monthly Accruals of 8.3333% of Annual Tax  
Column (F) Reflect Payment Made Twice a Year (March & July) For Previous Years Tax Liability

**AQUILA NETWORKS  
NEBRASKA OPERATIONS  
2006 RATE CASE**

Exhibit VI  
Schedule A  
Page 1 of 3

**PRO FORMA ADJUSTMENTS**

		<u>TOTAL NEBRASKA</u>	<u>RATE AREA ONE</u>	<u>RATE AREA TWO</u>	<u>RATE AREA THREE</u>
1	Capital Additions	\$ 12,776,870	\$ 2,618,133	\$ 7,389,326	\$ 2,756,395
	Gross Plant				
	Reserves/Depreciation	736,427	61,533	582,212	91,854
	O&M	(1,410)		(183)	(1,227)
	Depreciation Expense	737,837	61,184	583,537	92,472
2	Offutt Housing Investment				
	Gross Plant	1,094,690	1,094,690	-	-
	Revenues	(362,965)	(362,965)	-	-
	Cost of Sales	(290,372)	(290,372)	-	-
	O&M	93,663	93,663	-	-
	Depreciation Expense	28,273	28,273	-	-
	Volumes	(50,957)	(50,957)	-	-
3	Lincoln Lateral Line				
	Gross Plant	4,509,327	-	4,509,327	-
	Reserves/Depreciation	2,868,546	-	2,868,546	-
	O&M	20,723	-	20,723	-
	Depreciation Expense	184,494	-	184,494	-
	Taxes Other Than Inc	34,643	-	34,643	-
4	Annualized Depreciation				
	Reserves/Depreciation	3,031,242	497,988	1,706,096	768,303
	Depreciation Expense	3,031,242	517,843	1,726,069	788,131
5	Gas Storage Adjustment	15,095,665	2,996,932	9,052,830	3,045,903
6	Payroll Annualization				
	Gross Plant	266,601	(18,441)	215,957	69,085
	O&M	1,983,305	436,144	764,802	706,358
	Taxes Other Than Inc	(204,277)	(44,786)	(79,081)	(72,548)
7	Variable Pay Comp Plan Chgs				
	Gross Plant	6,183	(428)	5,008	1,603
	O&M	321,634	70,474	124,681	114,169
	Taxes Other Than Inc	23,801	5,218	9,214	8,453

AQUILA NETWORKS  
NEBRASKA OPERATIONS  
2006 RATE CASE

Exhibit VI  
Schedule A  
Page 2 of 3

PRO FORMA ADJUSTMENTS

		TOTAL NEBRASKA	RATE AREA ONE	RATE AREA TWO	RATE AREA THREE
8	Rate Case Expense	\$ 166,667	\$ 55,556	\$ 55,556	\$ 55,555
	O&M	166,667	55,556	55,556	55,555
9	Economy of Scale EOS	(47,816)	3,308	(38,733)	(12,391)
	Gross Plant	(47,816)			
	O&M	(374,936)	(82,433)	(144,629)	(133,508)
	Taxes Other Than Inc	(20,110)	(4,409)	(7,785)	(7,142)
10	Merit Incentive/Union Incentive	89,157	(6,167)	72,220	23,104
	Gross Plant	89,157			
	O&M	631,389	138,845	243,482	224,867
	Taxes Other Than Inc	34,379	7,537	13,309	12,209
11	Weather Normalization	20,237,088	4,260,623	8,392,775	7,583,690
	Revenue	20,237,088			
	Cost of Sales	17,568,677	3,761,612	7,241,545	6,565,520
	Volumes	2,113,311	436,689	912,035	764,587
12	OPPD Contract	292,451	187,169	-	105,282
	O&M	292,451			
	Depreciation Expense	38,097	24,381	-	13,716
13	Bad Debt Adjustment	(778,347)	(175,481)	(339,433)	(263,433)
	O&M	(778,347)			
14	Advertising Reclassification	(85,850)	(15,603)	(31,469)	(27,667)
	O&M	(85,850)			
15	Contributions Adjustment	29,171	8,403	12,734	6,769
	O&M	29,171			
16	Benefit Adjustment	1,498,736	328,589	580,200	532,267
	O&M	1,498,736			
17	Property Tax Annualization	255,387	41,825	92,874	120,688
	Taxes Other Than Inc	255,387			
18	Annualized Postage Adj	(138,318)	(29,061)	(60,204)	(47,827)
	O&M	(138,318)			

AQUILA NETWORKS  
NEBRASKA OPERATIONS  
2006 RATE CASE

Exhibit VI  
Schedule A  
Page 3 of 3

PRO FORMA ADJUSTMENTS

		TOTAL NEBRASKA	RATE AREA ONE	RATE AREA TWO	RATE AREA THREE
19	Ann/Norm Insurance Costs	O&M	\$ 162,521	\$ 35,632	\$ 62,916
					\$ 57,718
20	Raytown Lease Adjustment	O&M	(80,014)	(17,543)	(30,975)
					(28,417)
21	GUI Adjustment	O&M	(359,413)	(72,468)	(184,075)
	Taxes Other Than Inc		(5,102)	(1,119)	(1,975)
					(119,132)
					(1,812)
22	Synchronization Adjustment	Revenues	223,834	48,085	163,129
					12,620



AQUILA NETWORKS  
NEBRASKA OPERATIONS  
2006 RATE CASE

**SUMMARY OF ADJUSTMENTS**

**Adjustment 1 Capital Additions (All rate areas)**

Capital additions for system integrity (relocations and replacement of existing mains and services due to their condition) will be expended during the second half of 2006 and the first half of 2007 construction season. It also include replacement of the Automated Meter Reading ("AMR") devices.

**Adjustment 2 Offutt Housing Investment (Rate Area One)**

Construction costs, O&M, and Depreciation were increased to reflect the expected level of investment and costs when the rehabilitation/renovation/demolition of Offutt AFB residential housing units is complete. Margins were decreased to reflect the planned demolition of 1,876 original units, the renovation of 572 other units, and the construction of 916 new units. 1,631 units will replace the original 2,591 units.

**Adjustment 3 Lincoln Lateral Line (Rate Area Two)**

The Memorandum of Understanding ("MOU") dated September 11, 1989 entered into and between the City of Lincoln and Minnegasco (now Aquila) for the governance of the Lincoln Lateral Project allows the utility to include the same Lincoln Lateral costs in base rates, instead of the purchase gas adjustment. Aquila is proposing dissolving the separate company required by the MOU and merging the cost into Aquila-Networks Nebraska.

**Adjustment 4 Annualized Depreciation Reserves (All rate areas)**

Depreciation and amortization expense was adjusted to reflect the annualization of expense based on June 2006 plant balances. The adjustment is the difference between the actual expense for the twelve months ended June 30, 2006 and the annualized amount, and recognizes changes in the annual level of expense associated with additions and retirements occurring during the test year. This adjustment is included in the accumulated provision for depreciation for rate base.

The adjustment also reflects new depreciation rates determined by an independent depreciation study that analyzed the assets recorded in Aquila's property records for Nebraska. This adjustment includes the current rates used for the common assets that serve all utilities within the Aquila Network and are commonly known as shared assets and the amortization of the deferred depreciation expense accrued since the last rate case for those assets.

**Adjustment 5 Gas Storage Adjustment (All rate areas)**

The volumes/cost of natural gas going into storage during the last six months of 2006 is expected to be significantly higher than the volumes/cost reflected in the June 30, 2006 balance.

**Adjustment 6 Payroll Annualization (All rate areas)**

Nebraska direct and allocable payroll expense was annualized using base annual payroll as of August 15, 2006, this being the most current base payroll available at the time of the calculation. The base pay amount was adjusted for known vacancies and other-than-base-payroll categories such as overtime, stand-by, and call-out pay. The annualized amount was then compared to the 12-months ended June 30, 2006 actual payroll to determine the amount of the adjustment. This adjustment amount was then allocated to FERC accounts based on the 12-months ended June 30, 2006 actual expense by account, providing the split between utility, capitalized and other payroll.

Employee Benefits were adjusted to reflect the changes made to payroll by using an average ratio of per book benefit costs to per book payroll costs for the 12-months ended June 30, 2006 period and applying this ratio to the annualized level of payroll. This benefit adjustment amount was also split between utility, capitalized and other payroll based on 12-months ended June 30, 2006 actual payroll expense.

Variable Compensation ("VC") was adjusted by comparing actual incentives paid in March 2006 to the June 30, 2006 annualized accrual. This adjustment amount was then allocated to FERC accounts based on the 12-months ended June 30, 2006 accrual expense by account, providing the split between utility, capitalized and other payroll.

Payroll taxes were adjusted for annualized payroll and VC levels by calculating payroll taxes by person at the annualized payroll levels. A comparison was made between the actual utility payroll taxes accrued 12-months ended 6/30/2006 and the annualized utility payroll tax level.

**Adjustment 7 Variable Compensation Plan Change (All rate areas)**

An adjustment was made for the Variable Compensation Plan payout in March 2007 to reflect plan changes. Variable Compensation and associated payroll tax expense were adjusted by increasing the March 2006 payout by 150% after EOS eliminations were made.

**Adjustment 8 Rate Case Expense (All rate areas)**

O&M expenses were increased to reflect the current year amortization of the estimated expense that will be incurred in completing this rate case. The total costs for the three rate areas are estimated to be \$500,000. The estimated cost will cover legal representation, outside consultants, filing fees, and miscellaneous out-of-pocket expenses. One third of the un-amortized costs are included in the Rate Base. The total cost is being allocated to all rate areas evenly.

**Adjustment 9 Economy of Scale ("EOS") (All rate areas)**

Annualized Payroll and Variable Compensation pay, along with their associated benefits and payroll taxes, were reduced for known staffing reductions to occur through December 2006 due to the sale of various utility properties.

**Adjustment 10** ~~Merit Incentive~~ <sup>Lower Income</sup> ~~Union Incentive~~ (All rate areas)

Annualized payroll expense, benefits and payroll taxes were adjusted to reflect non-union merit and union contract increases scheduled through the first quarters of 2007. A split was made between union and non-union expense to reflect the differences in various union contract increases versus non-union increases. The payroll adjustment amount was allocated to FERC accounts based on the test period actual payroll by account, providing the split between utility, capitalized and other payroll. The increase to Benefit expenses was calculated based on the percent of benefits to total payroll as reflected in the Annualized Payroll Adjustment. A payroll tax rate of 7.4% was applied to adjust the payroll tax level for the increases.

**Adjustment 11 Weather Normalization** (All rate areas)

Actual volumes, revenues, and purchases reflect 2005-2006 warmer-than-normal weather conditions. Test year volumes, revenues and purchases should be based on normal weather conditions. Actual volumes, revenues, and purchases were adjusted to reflect normal weather.

**Adjustment 12 Correct cost allocation to OPPD Contract** (Rate Areas One & Three)

Aquila has been notified that OPPD will no longer contract with Aquila to read OPPD meters effective March 31, 2007. Direct costs of reading the OPPD meters will be eliminated, but indirect costs allocated to the OPPD contract will revert to remaining Aquila operations.

**Adjustment 13 Bad Debt Margin Adjustment** (All rate areas)

The Nebraska Public Service Commission granted Aquila's Application NG-0004.1 to recover the gas cost portion of Aquila's uncollectible accounts through the Purchase Gas Adjustment ("PGA") process. This adjustment removes the gas cost portion of uncollectible accounts from base rates (O&M).

**Adjustment 14 Advertising Reclassification** (All rate areas)

O&M expense was decreased to eliminate the advertising costs charged to FERC account 913000 and 930100.

**Adjustment 15 Contributions and Dues Adjustment** (All rate areas)

**Dues Adjustment** – "Employee" dues are charged to FERC account 921000 and the "Utility" (Company) dues are charged to FERC account 930200. This adjustment reduces the amount of expenses for dues included in the Test Year by 50% in both accounts.

**Contributions Adjustment** – Contributions are charged to FERC account 426100 and are not included in Base Year expenses. This adjustment includes 50% of the contributions in the Test Year. Political Contributions and Lobbying Contributions/Gifts are excluded from this adjustment.

**Adjustment 16 Benefit Adjustment (All rate areas)**

The Benefit Adjustment increases O&M expense for the projected increase in costs for Pension, Health and Dental per FAS 106OPRB, Supplemental Retirement, and Employee contribution for Benefit expenses. Costs are higher in 2006 and are projected to increase by an additional 14.8% in 2007.

**Adjustment 17 Property Tax Annualization (All rate areas)**

Property Tax expense was adjusted to reflect actual property taxes paid through 2006 versus the estimated accrual in the 12-months ended June 30, 2006.

**Adjustment 18 Annualized Postage Adjustment (All rate areas)**

The postage adjustment is for the increase in postage rates for 2006 to the estimated increase for 2007.

**Adjustment 19 Annualize/Normalize Insurance Costs (All rate areas)**

This adjustment reflects current premium costs for premiums effective January 1, 2006 and February 2, 2006, normalizes self-insurance costs to three-year average costs, and includes forecasted decreases in insurance cost.

**Adjustment 20 Raytown Lease Adjustment (All rate areas)**

This adjustment removes the lease expense for the Raytown office building that is for sale and not being used.

**Adjustment 21 Graphical User Interface (GUI) (All rate areas)**

This adjustment decreases O&M expense to eliminate the cost associated with the GUI Application write off.

**Adjustment 22 Synchronization Adjustment (All rate areas)**

This adjustment synchronizes test year revenues with per-book billing units and test year gas costs. The synchronization adjustment results in test year revenues that are equal to test year billing units times the applicable existing rates. The same test year billing units times the proposed rates will accurately measure the revenue impact of the proposed rates.

**AQUILA NETWORKS  
NEBRASKA RATE AREA ONE  
2006 RATE CASE**

**Exhibit VII - RA1  
Schedule A**

**COST OF SERVICE STUDY**

**Base Year Ended June 30, 2006**

Line Number	Acct. No.	Description	[A] Total Res, Comm, Energy Option:	[B] Residential \$	[C] Commercial \$	[D] Energy Options Firm \$	[E]
1		Gas Plant in Service					
2		Intangible Plant					
3	301	Organization	\$0	\$0	\$0	\$0	
4	302	Franchises & Consents	\$1,616	\$1,320	\$248	\$48	
5	303	Miscellaneous Intangible Plant	\$70,355	\$57,465	\$10,803	\$2,087	
6		Total Intangible Plant	\$71,971	\$58,785	\$11,051	\$2,135	
7		Transmission Plant					
8	365	Land & Land Rights & ROW	\$27	\$20	\$5	\$2	
9	366	Structures & Improvements	\$0	\$0	\$0	\$0	
10	367	Mains	\$10,956	\$7,925	\$2,196	\$835	
11	369	Measuring & Reg. Station Eq.	\$12,607	\$9,120	\$2,527	\$960	
12		Total Transmission Plant	\$23,591	\$17,064	\$4,729	\$1,797	
13		Distribution Plant					
14	374.1	Land	\$19,156	\$13,857	\$3,855	\$1,444	
15	374.3	Land Rights & Rights of Way	\$4,625	\$3,346	\$931	\$349	
16	375.1	Structures & Improvements	\$56,780	\$41,072	\$11,428	\$4,280	
17	375.5	Leasehold Improve-Building	\$0	\$0	\$0	\$0	
18	376	Mains	\$17,152,979	\$13,661,231	\$2,764,121	\$727,628	
19	377	Compressor Sta. Equip.	\$0	\$0	\$0	\$0	
20	378	Meas. & Reg. Sta. Equip.	\$1,052,826	\$761,567	\$211,894	\$79,365	
21	380	Services	\$12,270,910	\$10,319,687	\$1,679,213	\$272,010	
22	381	Meters	\$2,656,752	\$1,996,228	\$568,444	\$92,080	
23	382	Meter Installations	\$1,282,655	\$963,760	\$274,439	\$44,455	
24	383	House Regulators	\$1,750,131	\$1,315,012	\$374,462	\$60,658	
25	384	House Regulator Installations	\$95,143	\$71,488	\$20,357	\$3,298	
26	385	Indust. Meas. & Reg. Sta. Equip.	\$625,122	\$469,704	\$133,752	\$21,666	
27	385.1	Large Volume Meters	\$751,464	\$564,634	\$160,785	\$26,045	
28	387	Other Equipment					
29		AMR	\$0	\$0	\$0	\$0	
30		Other Equipment	\$86,431	\$68,836	\$13,928	\$3,666	
31	388	Asset Retirement Costs for Distribution Plant	\$0	\$0	\$0	\$0	
32		Total Distribution Plant	\$37,804,973	\$30,250,422	\$6,217,609	\$1,336,943	
33		General Plant					
34	389	Land & Land Rights	\$25,533	\$20,854	\$3,921	\$758	
35	390.1	Structures and Improvements	\$1,752,103	\$1,431,078	\$269,038	\$51,986	
36	390.5	Leasehold Improvements	\$258,904	\$211,467	\$39,755	\$7,682	
37	391.1	Office Furniture & Equipment	\$717,961	\$586,415	\$110,244	\$21,302	
38	391.2	Computer Equipment	\$5,934,629	\$4,847,272	\$911,272	\$176,085	
39	392	Transportation Equipment	\$20,842	\$17,023	\$3,200	\$618	
40	394	Tools & Work Equipment	\$577,906	\$472,021	\$88,738	\$17,147	
41	395	Laboratory Equipment	\$25,140	\$20,534	\$3,860	\$746	
42	396	Power Operated Equipment	\$120,000	\$98,013	\$18,426	\$3,560	
43	397	Communication Equipment	\$144,465	\$117,995	\$22,183	\$4,286	
44	398	Misc. Equipment	\$14,999	\$12,251	\$2,303	\$445	
45	399	Other Intangible Property	\$1,160	\$947	\$178	\$34	
46	399.1	Asset Retirement Costs for Gen Plt	\$2,080	\$1,699	\$319	\$62	
47		Total General Plant	\$9,595,720	\$7,837,570	\$1,473,438	\$284,712	
48		Total Plant in Service	\$47,496,255	\$38,163,841	\$7,706,827	\$1,625,587	
49		CWIP	(\$95,179)	(\$75,804)	(\$15,338)	(\$4,037)	
50		Total Plant in Service including CWIP	\$47,401,076	\$38,088,037	\$7,691,490	\$1,621,550	
51		Allowable Acquisition Adjustment	\$2,929,722	\$2,354,069	\$475,382	\$100,271	
52		Total with Acquisition Adjustment	\$50,330,798	\$40,442,106	\$8,166,872	\$1,721,821	

**AQUILA NETWORKS  
NEBRASKA RATE AREA ONE  
2006 RATE CASE**

**Exhibit VII - RA1  
Schedule A**

**COST OF SERVICE STUDY**

**Base Year Ended June 30, 2006**

Line Number	Acct. No.	Description	[B] Total Res. Comm, Energy Options	[C] Residential \$	[D] Commercial \$	[E] Energy Options Firm \$
53		Accumulated Depreciation				
54		Intangible	\$49,121	\$40,121	\$7,543	\$1,457
55		Manufactured Gas Plant	\$0	\$0	\$0	\$0
56		Transmission	\$16,274	\$11,772	\$3,262	\$1,240
57		Distribution	\$14,987,027	\$11,992,176	\$2,464,847	\$530,004
58		General	\$4,465,732	\$3,647,510	\$685,720	\$132,501
59		Total Accumulated Depreciation	\$19,518,154	\$15,691,579	\$3,161,372	\$665,203
60		Allowable Acquisition Adjustment Acc. Depr.	\$2,097,948	\$1,685,728	\$340,417	\$71,804
61		Total Accum. Deprec. with Adjustments	\$21,616,103	\$17,377,307	\$3,501,789	\$737,006
62		Net Plant with Adjustments	\$28,714,696	\$23,064,798	\$4,665,083	\$984,815
63		Other Rate Base Items				
64		Cash Working Capital				
65		Gas Purchases	\$397,157	\$310,434	\$86,723	\$0
66		Other	\$353,076	\$288,385	\$54,215	\$10,476
67		Gas Storage	\$425,912	\$308,975	\$83,721	\$33,217
68		Prepayments	\$698,262	\$560,872	\$113,442	\$23,948
69		Materials & Supplies	\$92,966	\$74,701	\$15,085	\$3,180
70		Customer Deposits	(\$437,688)	(\$368,090)	(\$59,895)	(\$9,702)
71		Customer Advances	\$0	\$0	\$0	\$0
72		Accum. Deferred Income Taxes	(\$5,824,613)	(\$4,678,563)	(\$946,285)	(\$199,764)
73		Total Other Rate Base Items	(\$4,294,928)	(\$3,503,288)	(\$652,995)	(\$138,645)
74		Total Rate Base	\$24,419,768	\$19,561,510	\$4,012,088	\$846,169
1		O & M Expenses				
2		Manufactured Gas Production & Gathering				
3		Operation				
4	717	Liquified Petroleum Gas Expense	\$0	\$0	\$0	\$0
5	735	Mfg Gas Plant Clean-up & Eval	\$969	\$699	\$197	\$74
6	759	Other Expenses - Operation	\$0	\$0	\$0	\$0
7		Total Operation	\$969	\$699	\$197	\$74
8		Maintenance				
9	742	Production Equipment	\$0	\$0	\$0	\$0
10	766	Mtnce of Field Compressor Station Equip	\$0	\$0	\$0	\$0
11		Total Maintenance	\$0	\$0	\$0	\$0
12		Total Manufactured Gas Production & Gathering	\$969	\$699	\$197	\$74
13		Transmission Expenses				
14		Operation				
15	856	Mains Expenses	\$2,134	\$1,543	\$428	\$163
16	859	Other Expenses	\$27	\$19	\$5	\$2
17		Total Transmission Expenses	\$2,160	\$1,563	\$433	\$165
18		Distribution Expenses				
19		Operation				
20	870	Supervision & Engineering	\$236,711	\$189,718	\$39,134	\$7,859
21	871	Load Dispatching	\$1,499	\$1,081	\$304	\$114
22	872	Compressor Station Labor and Expense	\$0	\$0	\$0	\$0
23	874	Mains & Services	\$492,116	\$401,066	\$74,324	\$16,727
24	875	Measuring & Regulating Sta. Equip. - General	\$19,319	\$13,974	\$3,888	\$1,456
25	877	Measuring & Regulating Sta. Equip. - CG	\$595	\$430	\$120	\$45
26	878	Meters & House Regulators	\$252,521	\$189,739	\$54,030	\$8,752

**AQUILA NETWORKS  
NEBRASKA RATE AREA ONE  
2006 RATE CASE**

**Exhibit VII - RA1  
Schedule A**

**COST OF SERVICE STUDY**

**Base Year Ended June 30, 2006**

Line Number	Acct. No.	Description	[B] Total Res, Comm, Energy Options	[C] Residential	[D] Commercial	[E] Energy Options Firm
27	879	Customer Installation Expenses	\$203,264	\$170,942	\$27,816	\$4,506
28	880	Other Expenses	\$269,692	\$215,800	\$44,355	\$9,537
29	881	Rents	\$35,320	\$28,262	\$5,809	\$1,249
30		Total Operation	\$1,511,037	\$1,211,013	\$249,779	\$50,245
31		Maintenance				
32	885	Supervision & Engineering	\$497	\$391	\$86	\$20
33	886	Mtnce of Structures and Improvements	\$29	\$21	\$6	\$2
34	887	Mains	\$80,372	\$64,008	\$12,954	\$3,411
35	888	Compressor Station Equip.	\$0	\$0	\$0	\$0
36	889	Meas. & Reg. Sta. Eq. - Gen.	\$24,923	\$18,028	\$5,016	\$1,879
37	890	Meas. & Reg. Sta. Eq. - Ind.	\$13,677	\$10,276	\$2,926	\$474
38	891	Meas. & Reg. Sta. Eq. - City Gate	\$46,569	\$33,686	\$9,372	\$3,511
39	892	Services	\$117,001	\$98,396	\$16,011	\$2,594
40	893	Meters & House Regulators	\$60,285	\$45,297	\$12,899	\$2,089
41	894	Other Equipment	\$544	\$435	\$89	\$19
42		Total Maintenance	\$343,897	\$270,538	\$59,359	\$14,000
43		Total Distribution	\$1,854,934	\$1,481,551	\$309,138	\$64,245
44		Customer Accounts Expenses				
45	901	Supervision	\$143,521	\$120,700	\$19,640	\$3,181
46	902	Meter Reading Expenses	\$386,181	\$324,773	\$52,847	\$8,560
47	903	Customer Records & Collection	\$937,071	\$788,066	\$128,234	\$20,772
48	904	Uncollectible Accounts	\$245,683	\$206,617	\$33,621	\$5,446
49	905	Miscellaneous	\$32,145	\$27,034	\$4,399	\$713
50		Total Customer Accounts Expenses	\$1,744,602	\$1,467,189	\$238,740	\$38,673
51		Customer Service & Inform. Exp.				
52	907	Supervision	\$12,686	\$10,175	\$2,008	\$503
53	909	Information & Instruction Exp.	\$18,723	\$15,017	\$2,964	\$743
54	910	Miscellaneous	\$7,126	\$5,715	\$1,128	\$283
55		Total Cust. Service & Inf. Exp.	\$38,535	\$30,906	\$6,100	\$1,529
56		Sales Expenses				
57	911	Supervision	\$14,857	\$11,916	\$2,352	\$589
58	912	Demonstrating & Selling Exp.	\$150,147	\$120,422	\$23,768	\$5,956
59	913	Advertising Expenses	\$9,950	\$7,980	\$1,575	\$395
60	916	Miscellaneous	\$545	\$437	\$86	\$22
61		Total Sales Expenses	\$175,499	\$140,755	\$27,781	\$6,962
62		Administrative & General Expenses				
63		Operation				
64	920	A & G Salaries	\$997,064	\$814,379	\$153,101	\$29,584
65	921	Office Supplies & Expenses	\$439,271	\$368,787	\$67,451	\$13,033
66	922	Transfers	(\$73,829)	(\$60,302)	(\$11,336)	(\$2,191)
67	923	Outside Services Employed	\$350,597	\$286,360	\$53,835	\$10,402
68	924	Property Insurance	\$895	\$719	\$145	\$31
69	925	Injuries & Damages	\$284,449	\$232,332	\$43,678	\$8,440
70	926	Employee Pensions & Benefits	\$1,080,869	\$882,829	\$165,969	\$32,070
71	928	Regulatory Commission Expense	\$12,862	\$9,277	\$2,608	\$977
72	930.1	General Advertising Expenses	\$5,236	\$4,277	\$804	\$155
73	930.2	Miscellaneous	\$68,243	\$55,739	\$10,479	\$2,025
74	931	Rents	\$169,540	\$138,477	\$26,033	\$5,030
75	935	Maintenance of General Plant	\$148,624	\$121,393	\$22,821	\$4,410
76		Total A & G Expenses	\$3,483,822	\$2,844,267	\$535,588	\$103,967
77		Total Operation & Maintenance	\$7,300,521	\$5,966,931	\$1,117,977	\$215,614

**AQUILA NETWORKS  
NEBRASKA RATE AREA ONE  
2006 RATE CASE**

**Exhibit VII - RA1  
Schedule A**

**COST OF SERVICE STUDY**

**Base Year Ended June 30, 2006**

Line Number	Acct. No.	Description	[B] Total Res. Comm, Energy Options	[C] Residential \$	[D] Commercial \$	[E] Energy Options Firm \$
78		Supervised O & M before General (1) L17+ L43- L29+ L50- L48+ L55+ L61	\$3,534,726	\$2,887,085 \$1	\$542,763 \$0	\$104,878 \$0
1		Depreciation Expense				
2		Intangible	\$1,770	\$1,446	\$272	\$53
3		Manufactured Gas Plant	\$0	\$0	\$0	\$0
4		Production	\$0	\$0	\$0	\$0
5		Transmission	\$1,007	\$728	\$202	\$77
6		Distribution	\$946,639	\$757,472	\$155,689	\$33,477
7		General	\$717,765	\$586,254	\$110,214	\$21,297
8		Acquisition Adjustment	\$144,620	\$116,204	\$23,466	\$4,950
9		Total Depreciation Expense	\$1,811,800	\$1,462,104	\$289,843	\$59,853
10		Taxes Other Than Income Taxes				
11		Property Taxes	\$207,078	\$166,385	\$33,604	\$7,089
12		Payroll Taxes	\$310,670	\$253,749	\$47,704	\$9,218
13		Miscellaneous Taxes	(\$4,091)	(\$3,341)	(\$628)	(\$121)
14		Total Taxes Other Than Income Taxes	\$513,657	\$416,793	\$80,679	\$16,185
15		Other Operating Revenues				
16	483	Rents from Utility Property	\$2,887	\$2,320	\$468	\$99
17	487	Forfeited Discounts	\$102,541	\$102,541	\$0	\$0
18	488	Connects and Reconnects	\$238,138	\$200,271	\$32,588	\$5,279
19		Total Other Operating Revenues	\$343,566	\$305,132	\$33,056	\$5,378
1	Summary					
2		Rate Base	\$24,419,768	\$19,561,510	\$4,012,088	\$846,169
3		Rate of Return	\$0	\$0	\$0	\$0
4		Total Cost of Service				
5		Operation & Maintenance & AG Expenses	\$7,300,521	\$5,966,931	\$1,117,977	\$215,614
6		Depreciation Expenses	\$1,811,800	\$1,462,104	\$289,843	\$59,853
7		Taxes Other Than Income Taxes	\$513,657	\$416,793	\$80,679	\$16,185
8		Return	\$2,344,298	\$1,877,905	\$385,160	\$81,232
9		Income Taxes	\$956,598	\$766,285	\$157,166	\$33,147
10		Other Operating Revenues	(\$343,566)	(\$305,132)	(\$33,056)	(\$5,378)
11		Total Cost of Service	\$12,583,308	\$10,184,886	\$1,997,769	\$400,653



**AQUILA NETWORKS  
NEBRASKA RATE AREA ONE  
2006 RATE CASE**

**Exhibit VII - RA1  
Schedule B**

**COST OF SERVICE STUDY**

**Test Year Ended June 30, 2006**

Line Number	Acct. No.	Description	[B] Total Res. Comm, Energy Options	[C] Residential \$	[D] Commercial \$	[E] Energy Options Firm \$
1		<u><b>Gas Plant in Service</b></u>				
2		<u><b>Intangible Plant</b></u>				
3	301	Organization	-	-	-	-
4	302	Franchises & Consents	1,616	1,321	247	48
5	303	Miscellaneous Intangible Plant	70,375	57,510	10,772	2,092
6		<b>Total Intangible Plant</b>	71,991	58,831	11,020	2,140
7		<u><b>Transmission Plant</b></u>				
8	365	Land & Land Rights & ROW	27	20	5	2
9	366	Structures & Improvements	-	-	-	-
10	367	Mains	10,994	7,938	2,221	835
11	369	Measuring & Reg. Station Eq.	12,652	9,135	2,556	961
12		<b>Total Transmission Plant</b>	23,673	17,092	4,783	1,798
13		<u><b>Distribution Plant</b></u>				
14	374.1	Land	19,217	13,859	3,907	1,450
15	374.3	Land Rights & Rights of Way	4,640	3,346	943	350
16	375.1	Structures & Improvements	56,959	41,079	11,581	4,298
17	375.5	Leasehold Improve-Building	-	-	-	-
18	376	Mains	18,823,765	14,992,486	3,033,992	797,287
19	377	Compressor Sta. Equip.	-	-	-	-
20	378	Meas. & Reg. Sta. Equip.	1,286,274	927,676	261,531	97,067
21	380	Services	13,645,138	11,495,843	1,849,673	299,622
22	381	Meters	2,973,675	2,240,588	630,891	102,196
23	382	Meter Installations	1,291,563	973,180	274,016	44,387
24	383	House Regulators	1,762,287	1,327,838	373,884	60,564
25	384	House Regulator Installations	95,803	72,185	20,326	3,292
26	385	Indust. Meas. & Reg. Sta. Equip.	691,649	521,140	146,739	23,770
27	385.1	Large Volume Meters	756,683	570,142	160,537	26,005
28	387	Other Equipment	-	-	-	-
29		AMR	-	-	-	-
30		Other Equipment	102,569	81,693	16,532	4,344
31	388	Asset Retirement Costs for Distribution Plant	-	-	-	-
32		<b>Total Distribution Plant</b>	41,510,222	33,261,037	6,784,553	1,464,633
33		<u><b>General Plant</b></u>				
34	389	Land & Land Rights	26,074	21,308	3,991	775
35	390.1	Structures and Improvements	1,824,022	1,490,599	279,204	54,219
36	390.5	Leasehold Improvements	264,397	216,066	40,471	7,859
37	391.1	Office Furniture & Equipment	763,037	623,557	116,799	22,681
38	391.2	Computer Equipment	6,143,874	5,020,802	940,447	182,625
39	392	Transportation Equipment	21,284	17,394	3,258	633
40	394	Tools & Work Equipment	620,867	507,375	95,037	18,455
41	395	Laboratory Equipment	25,673	20,980	3,930	763
42	396	Power Operated Equipment	126,288	103,203	19,331	3,754
43	397	Communication Equipment	147,530	120,562	22,582	4,385
44	398	Misc. Equipment	15,317	12,517	2,345	455
45	399	Other Intangible Property	1,185	968	181	35
46	399.10	Asset Retirement Costs for Gen Plt	2,124	1,736	325	63
47		<b>Total General Plant</b>	9,981,673	8,157,068	1,527,902	296,703
48		<b>Total Plant in Service</b>	51,587,559	41,494,029	8,328,257	1,765,273
49		<b>CWIP</b>	(116,769)	(93,002)	(18,821)	(4,946)
50		<b>Total Plant in Service including CWIP</b>	51,470,790	41,401,026	8,309,437	1,760,327
51		<b>Allowable Acquisition Adjustment</b>	2,931,501	2,357,929	473,259	100,313
52		<b>Total with Acquisition Adjustment</b>	54,402,292	43,758,955	8,782,696	1,860,640
53		<u><b>Accumulated Depreciation</b></u>				

**AQUILA NETWORKS  
NEBRASKA RATE AREA ONE  
2006 RATE CASE**

**Exhibit VII - RA1  
Schedule B**

**COST OF SERVICE STUDY**

**Test Year Ended June 30, 2006**

	[A]			[B]		[C]		[D]		[E]
Line Number	Acct. No.	Description	Total Res, Comm, Energy Options	Residential \$	Commercial \$	Energy Options Firm \$				
54		Intangible	49,824	40,716	7,627	1,481				
55		Manufactured Gas Plant	-	-	-	-				
56		Transmission	15,073	10,883	3,045	1,145				
57		Distribution	15,773,747	12,639,084	2,578,107	556,556				
58		General	4,979,548	4,069,309	762,223	148,016				
59		Total Accumulated Depreciation	20,818,192	16,759,992	3,351,003	707,197				
60		Allowable Acquisition Adjustment Acc. Depr.	2,099,222	1,688,492	338,897	71,833				
61		Total Accum. Deprec. with Adjustments	22,917,414	18,448,484	3,689,899	779,030				
62		Net Plant with Adjustments	31,484,878	25,310,471	5,092,797	1,081,610				
63		<u>Other Rate Base Items</u>								
64		Cash Working Capital				-				
65		Gas Purchases	442,807	345,592	97,215	-				
66		Other	392,219	320,523	80,037	11,659				
67		Gas Storage	3,422,844	2,486,553	673,271	263,020				
68		Prepayments	739,640	594,592	119,640	25,409				
69		Materials & Supplies	93,743	75,403	15,134	3,206				
70		Customer Deposits	(437,707)	(368,762)	(59,334)	(9,611)				
71		Customer Advances	-	-	-	-				
72		Accum. Deferred Income Taxes	(5,884,361)	(4,730,396)	(951,817)	(202,147)				
73		Total Other Rate Base Items	(1,230,814)	(1,276,495)	(45,855)	91,535				
74		Total Rate Base	30,254,064	24,033,976	5,046,942	1,173,145				
1		<u>O &amp; M Expenses</u>								
2		<u>Manufactured Gas Production &amp; Gathering</u>								
3		Operation								
4	717	Liquified Petroleum Gas Expense	-	-	-	-				
5	735	Mfg Gas Plant Clean-up & Eval	1,147	825	235	87				
6	759	Other Expenses - Operation	-	-	-	-				
7		Total Operation	1,147	825	235	87				
8		<u>Maintenance</u>								
9	742	Production Equipment	-	-	-	-				
10	766	Mntnce of Field Compressor Station Equip	-	-	-	-				
11		Total Maintenance	-	-	-	-				
12		Total Manufactured Gas Production & Gathering	1,147	825	235	87				
13		<u>Transmission Expenses</u>								
14		Operation								
15	856	Mains Expenses	2,327	1,680	470	177				
16	859	Other Expenses	7	5	1	1				
17		Total Transmission Expenses	2,334	1,685	472	177				
18		<u>Distribution Expenses</u>								
19		Operation								
20	870	Supervision & Engineering	267,714	214,938	43,947	8,830				
21	871	Load Dispatching	1,767	1,271	362	134				
22	872	Compressor Station Labor and Expense	-	-	-	-				
23	874	Mains & Services	542,955	442,928	81,676	18,351				
24	875	Measuring & Regulating Sta. Equip. - General	22,532	16,250	4,581	1,700				
25	877	Measuring & Regulating Sta. Equip. - CG	686	495	139	52				
26	878	Meters & House Regulators	277,095	208,784	58,788	9,523				
27	879	Customer Installation Expenses	231,587	195,109	31,393	5,085				
28	880	Other Expenses	288,776	231,388	47,198	10,189				
29	881	Rents	36,146	28,962	5,908	1,275				

**AQUILA NETWORKS  
NEBRASKA RATE AREA ONE  
2006 RATE CASE**

**Exhibit VII - RA1  
Schedule B**

**COST OF SERVICE STUDY**

**Test Year Ended June 30, 2006**

	[A]		[B]	[C]	[D]	[E]
Line Number	Acct. No.	Description	Total Res, Comm, Energy Options	Residential \$	Commercial \$	Energy Options Firm \$
30		Total Operation	1,669,256	1,340,125	273,992	55,140
31		Maintenance				
32	885	Supervision & Engineering	562	442	97	23
33	886	Mntnce of Structures and Improvements	28	20	6	2
34	887	Mains	85,187	67,845	13,732	3,610
35	888	Compressor Station Equip.	-	-	-	-
36	889	Meas. & Reg. Sta. Eq. - Gen.	28,659	20,669	5,827	2,163
37	890	Meas. & Reg. Sta. Eq. - Ind.	14,570	10,978	3,091	501
38	891	Meas. & Reg. Sta. Eq. - City Gate	52,563	37,909	10,687	3,967
39	892	Services	131,137	110,481	17,776	2,880
40	893	Meters & House Regulators	65,012	48,985	13,793	2,234
41	894	Other Equipment	556	446	91	20
42		Total Maintenance	378,275	297,777	65,100	15,399
43		Total Distribution	2,047,531	1,637,902	339,091	70,538
44		<u>Customer Accounts Expenses</u>				
45	901	Supervision	85,578	72,099	11,601	1,879
46	902	Meter Reading Expenses	421,211	354,864	57,097	9,249
47	903	Customer Records & Collection	973,235	819,937	131,927	21,370
48	904	Uncollectible Accounts	69,356	58,432	9,402	1,523
49	905	Miscellaneous	35,263	29,709	4,780	774
50		Total Customer Accounts Expenses	1,584,643	1,335,040	214,807	34,796
51		<u>Customer Service &amp; Inform. Exp.</u>				
52	907	Supervision	14,084	11,298	2,227	558
53	909	Information & Instruction Exp.	19,218	15,418	3,040	761
54	910	Miscellaneous	7,999	6,417	1,265	317
55		Total Cust. Service & Inf. Exp.	41,301	33,133	6,532	1,636
56		<u>Sales Expenses</u>				
57	911	Supervision	16,829	13,501	2,662	666
58	912	Demonstrating & Selling Exp.	162,613	130,454	25,719	6,440
59	913	Advertising Expenses	40	32	6	2
60	916	Miscellaneous	554	445	88	22
61		Total Sales Expenses	180,036	144,431	28,475	7,130
62		<u>Administrative &amp; General Expenses</u>				
63		Operation				
64	920	A & G Salaries	1,259,034	1,028,888	192,721	37,424
65	921	Office Supplies & Expenses	451,751	369,173	69,150	13,428
66	922	Transfers	(76,033)	(62,135)	(11,638)	(2,260)
67	923	Outside Services Employed	358,273	292,783	54,841	10,650
68	924	Property Insurance	905	727	146	31
69	925	Injuries & Damages	325,777	266,227	49,867	9,684
70	926	Employee Pensions & Benefits	1,555,070	1,270,810	238,036	46,224
71	928	Regulatory Commission Expense	44,718	32,158	9,160	3,400
72	930.1	General Advertising Expenses	21,342	17,440	3,267	634
73	930.2	Miscellaneous	53,109	43,401	8,129	1,579
74	931	Rents	156,096	127,562	23,894	4,640
75	935	Maintenance of General Plant	159,485	130,332	24,413	4,741
76		Total A & G Expenses.	4,309,526	3,517,367	661,985	130,174
77		Total Operation & Maintenance	8,166,518	6,670,383	1,251,597	244,538
78		Supervised O & M before General	3,750,344	3,064,798	574,068	111,478
				81.72%	15.31%	2.97%

(1) L17+ L43- L29+ L50- L48+ L55+ L61

**AQUILA NETWORKS  
NEBRASKA RATE AREA ONE  
2006 RATE CASE**

**Exhibit VII - RA1  
Schedule B**

**COST OF SERVICE STUDY**

**Test Year Ended June 30, 2006**

Line Number	Acct. No.	Description	[B] Total Res, Comm, Energy Options	[C] Residential \$	[D] Commercial \$	[E] Energy Options Firm \$
1		<b><u>Depreciation Expense</u></b>				
2		Intangible	2,451	2,003	375	73
3		Manufactured Gas Plant	-	-	-	-
4		Production	-	-	-	-
5		Transmission	(848)	(612)	(171)	(64)
6		Distribution	1,569,207	1,257,364	256,476	55,367
7		General	805,625	658,361	123,318	23,947
8		Acquisition Adjustment	144,707	116,394	23,361	4,952
9		<b>Total Depreciation Expense</b>	<b>2,521,143</b>	<b>2,033,510</b>	<b>403,359</b>	<b>84,275</b>
10		<b><u>Taxes Other Than Income Taxes</u></b>				
11		Property Taxes	248,596	199,951	40,136	8,508
12		Payroll Taxes	280,060	228,867	42,869	8,325
13		Miscellaneous Taxes	(4,178)	(3,414)	(639)	(124)
14		<b>Total Taxes Other Than Income Taxes</b>	<b>524,478</b>	<b>425,404</b>	<b>82,366</b>	<b>16,709</b>
15		<b><u>Other Operating Revenues</u></b>				
16	483	Rents from Utility Property	2,889	2,324	466	99
17	487	Forfeited Discounts	102,541	102,541	-	-
18	488	Connects and Reconnects	238,148	200,637	32,282	5,229
19		<b>Total Other Operating Revenues</b>	<b>343,578</b>	<b>305,501</b>	<b>32,749</b>	<b>5,328</b>
1		<b><u>Summary</u></b>				
2		Rate Base	30,254,064	24,033,976	5,046,942	1,173,145
3		Rate of Return	9.60%	9.60%	9.60%	9.60%
4		<b><u>Total Cost of Service</u></b>				
5		Operation & Maintenance & AG Expenses	8,166,518	6,670,383	1,251,597	244,538
6		Depreciation Expenses	2,521,143	2,033,510	403,359	84,275
7		Taxes Other Than Income Taxes	524,478	425,404	82,366	16,709
8		Return	2,904,390	2,307,262	484,506	112,622
9		Income Taxes	1,185,145	941,485	197,704	45,956
10		Other Operating Revenues	(343,578)	(305,501)	(32,749)	(5,328)
11		<b>Total Cost of Service</b>	<b>14,958,097</b>	<b>12,072,542</b>	<b>2,386,784</b>	<b>498,771</b>

**AQUILA NETWORKS  
NEBRASKA RATE AREA TWO  
2006 RATE CASE**

**Exhibit VII - RA2  
Schedule A**

**COST OF SERVICE STUDY**

**Base Year Ended June 30, 2006**

[A]			[B]		[C]	[D]	[E]
Line Number	Acct. No.	Description	Total Res, Comm, Energy Options	Total NE Rate Area 1 Adjusted \$	Residential \$	Commercial \$	Energy Options Firm \$
1		<u>Gas Plant In Service</u>					
2		<u>Intangible Plant</u>					
3	301	Organization	-	-	-	-	-
4	302	Franchises & Consents	73,894	74,775	59,889	10,881	3,124
5	303	Miscellaneous Intangible Plant	-	-	-	-	-
6		<b>Total Intangible Plant</b>	<u>73,894</u>	<u>74,775</u>	<u>59,889</u>	<u>10,881</u>	<u>3,124</u>
7		<u>Transmission Plant</u>					
8	365	Land & Land Rights & ROW	-	-	-	-	-
9	366	Structures & Improvements	-	-	-	-	-
10	367	Mains	-	-	-	-	-
11	369	Measuring & Reg. Station Eq.	-	-	-	-	-
12		<b>Total Transmission Plant</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
13		<u>Distribution Plant</u>					
14	374.1	Land	26,831	28,129	17,599	6,784	2,448
15	374.3	Land Rights & Rights of Way	3,018	3,164	1,980	763	275
16	375.1	Structures & Improvements	8,003	8,390	5,249	2,024	730
17	375.5	Leasehold Improve-Building	-	-	-	-	-
18	376	Mains	28,019,554	28,482,010	21,727,257	4,764,450	1,527,847
19	377	Compressor Sta. Equip.	-	-	-	-	-
20	378	Meas. & Reg. Sta. Equip.	1,531,361	1,605,425	1,004,458	387,207	139,696
21	380	Services	19,284,427	19,330,815	16,279,441	2,364,312	640,675
22	381	Meters	6,159,301	6,319,767	4,655,456	1,183,220	320,626
23	382	Meter Installations	2,973,652	3,051,123	2,247,609	571,247	154,795
24	383	House Regulators	4,057,430	4,163,137	3,066,774	779,444	211,212
25	384	House Regulator Installations	220,574	226,321	166,719	42,373	11,482
26	385	Indust. Meas. & Reg. Sta. Equip.	1,449,257	1,487,014	1,095,409	278,407	75,442
27	385.1	Large Volume Meters	1,742,162	1,787,550	1,316,798	334,674	90,689
28	387	Other Equipment	-	-	-	-	-
29		AMR	7,467,936	7,503,085	6,304,249	915,585	248,103
30		Other Equipment	79,224	80,531	61,433	13,471	4,320
31	388	Asset Retirement Costs for Distribution Plant	-	-	-	-	-
32		<b>Total Distribution Plant</b>	<u>73,022,732</u>	<u>74,076,462</u>	<u>57,950,432</u>	<u>11,643,961</u>	<u>3,428,339</u>
33		<u>General Plant</u>					
34	389	Land & Land Rights	45,897	46,445	37,198	6,758	1,941
35	390.1	Structures and Improvements	3,149,576	3,187,122	2,552,631	463,778	133,168
36	390.5	Leasehold Improvements	465,405	470,953	377,196	68,531	19,678
37	391.1	Office Furniture & Equipment	1,290,605	1,305,991	1,045,994	190,043	54,568
38	391.2	Computer Equipment	10,668,077	10,795,250	8,646,134	1,570,884	451,059
39	392	Transportation Equipment	37,466	37,912	30,365	5,517	1,584
40	394	Tools & Work Equipment	1,038,843	1,051,227	841,949	152,971	43,924
41	395	Laboratory Equipment	45,191	45,730	36,626	6,654	1,911
42	396	Power Operated Equipment	215,711	218,283	174,827	31,764	9,121
43	397	Communication Equipment	259,689	262,785	210,470	38,239	10,980
44	398	Misc. Equipment	26,962	27,283	21,852	3,970	1,140
45	399	Other Intangible Property	2,085	2,110	1,690	307	88
46	399.10	Asset Retirement Costs for Gen Plt	3,740	3,784	3,031	551	158
47		<b>Total General Plant</b>	<u>17,249,248</u>	<u>17,454,874</u>	<u>13,979,962</u>	<u>2,539,967</u>	<u>729,319</u>
48		<b>Total Plant in Service</b>	<u>90,345,874</u>	<u>91,606,111</u>	<u>71,990,282</u>	<u>14,184,809</u>	<u>4,160,783</u>
49		<b>CWIP</b>	<u>1,117,473</u>	<u>1,128,035</u>	<u>912,449</u>	<u>158,324</u>	<u>46,700</u>
50		<b>Total Plant in Service including CWIP</b>	<u>91,463,347</u>	<u>92,734,146</u>	<u>72,902,731</u>	<u>14,353,133</u>	<u>4,207,483</u>
51		<b>Allowable Acquisition Adjustment</b>	<u>3,849,718</u>	<u>3,903,418</u>	<u>3,067,570</u>	<u>604,853</u>	<u>177,295</u>
52		<b>Total with Acquisition Adjustment</b>	<u>95,313,065</u>	<u>96,637,564</u>	<u>75,970,301</u>	<u>14,957,986</u>	<u>4,384,778</u>

**AQUILA NETWORKS  
NEBRASKA RATE AREA TWO  
2006 RATE CASE**

**Exhibit VII - RA2  
Schedule A**

**COST OF SERVICE STUDY**

**Base Year Ended June 30, 2006**

Line Number	Acct. No.	Description	[B]		[C]	[D]	[E]
			Total Res, Comm, Energy Options	Total NE Rate Area 1 Adjusted \$	Residential \$	Commercial \$	Energy Options Firm \$
53		<u>Accumulated Depreciation</u>					
54		Intangible	50,434	51,035	40,875	7,426	2,132
55		Manufactured Gas Plant	-	-	-	-	-
56		Transmission	-	-	-	-	-
57		Distribution	27,292,779	27,686,618	21,659,397	4,352,015	1,281,367
58		General	8,027,591	8,123,287	6,506,105	1,182,070	339,416
59		Total Accumulated Depreciation	35,370,804	35,860,941	28,206,377	5,541,512	1,622,916
60		Allowable Acquisition Adjustment Acc. Depr.	2,756,747	2,795,201	2,196,658	433,130	126,959
61		<b>Total Accum. Deprec. with Adjustments</b>	<b>38,127,551</b>	<b>38,656,142</b>	<b>30,403,035</b>	<b>5,974,642</b>	<b>1,749,875</b>
62		Net Plant with Adjustments	57,185,514	57,981,423	45,567,267	8,983,345	2,634,903
63		<u>Other Rate Base Items</u>					
64		Cash Working Capital					
65		Gas Purchases	803,408	803,408	567,656	235,752	-
66		Other	488,915	488,915	396,250	71,993	20,672
67		Gas Storage	1,355,671	1,355,671	883,464	343,702	128,505
68		Prepayments	1,390,593	1,409,947	1,108,069	218,450	64,074
69		Materials & Supplies	176,847	179,304	140,960	27,752	8,135
70		Customer Deposits	(990,198)	(994,859)	(835,901)	(121,400)	(32,897)
71		Customer Advances	-	-	-	-	-
72		Accum. Deferred Income Taxes	(11,599,757)	(11,761,202)	(9,243,061)	(1,822,220)	(534,475)
73		<b>Total Other Rate Base Items</b>	<b>(8,374,521)</b>	<b>(8,518,816)</b>	<b>(6,982,584)</b>	<b>(1,045,971)</b>	<b>(345,986)</b>
74		<b>Total Rate Base</b>	<b>48,810,993</b>	<b>49,462,607</b>	<b>38,584,702</b>	<b>7,937,374</b>	<b>2,288,917</b>
1		<u>O &amp; M Expenses</u>					
2		<u>Manufactured Gas Production &amp; Gathering</u>					
3		Operation					
4	717	Liquified Petroleum Gas Expense	-	-	-	-	-
5	735	Mfg Gas Plant Clean-up & Eval	2,099	2,228	1,353	548	198
6	759	Other Expenses - Operation	-	-	-	-	-
7		<b>Total Operation</b>	<b>2,099</b>	<b>2,228</b>	<b>1,353</b>	<b>548</b>	<b>198</b>
8		<u>Maintenance</u>					
9	742	Production Equipment	-	-	-	-	-
10	766	Mtnce of Field Compressor Station Equip	-	-	-	-	-
11		<b>Total Maintenance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12		<b>Total Manufactured Gas Production &amp; Gathering</b>	<b>2,099</b>	<b>2,228</b>	<b>1,353</b>	<b>548</b>	<b>198</b>
13		<u>Transmission Expenses</u>					
14		Operation					
15	856	Mains Expenses	3,444	3,624	2,246	879	320
16	859	Other Expenses	-	-	-	-	-
17		<b>Total Transmission Expenses</b>	<b>3,444</b>	<b>3,624</b>	<b>2,246</b>	<b>879</b>	<b>320</b>
18		<u>Distribution Expenses</u>					
19		Operation					
20	870	Supervision & Engineering	429,581	436,006	340,423	69,153	20,006
21	871	Load Dispatching	3,245	3,444	2,092	847	306
22	872	Compressor Station Labor and Expense	-	-	-	-	-
23	874	Mains & Services	790,868	799,375	635,428	119,185	36,255
24	875	Measuring & Regulating Sta. Equip. - General	27,767	29,110	18,213	7,021	2,533
25	877	Measuring & Regulating Sta. Equip. - CG	855	896	561	216	78
26	878	Meters & House Regulators	585,435	600,687	442,496	112,464	30,475

**AQUILA NETWORKS  
NEBRASKA RATE AREA TWO  
2006 RATE CASE**

**Exhibit VII - RA2  
Schedule A**

**COST OF SERVICE STUDY**

**Base Year Ended June 30, 2006**

[A]			[B]			[C]	[D]	[E]
Line Number	Acct. No.	Description	Total Res, Comm, Energy Options	Total NE Rate Area 1 Adjusted \$	Residential \$	Commercial \$	Energy Options Firm \$	
27	879	Customer Installation Expenses	319,441	320,209	269,664	39,164	10,613	
28	880	Other Expenses	520,928	528,445	413,405	83,065	24,457	
29	881	Rents	68,223	69,208	54,142	10,879	3,203	
30		Total Operation	2,746,342	2,787,380	2,176,423	441,993	127,926	
31		Maintenance						
32	885	Supervision & Engineering	854	871	658	150	46	
33	886	Mince of Structures and Improvements	4	4	3	1	0	
34	887	Mains	131,205	133,371	101,741	22,310	7,154	
35	888	Compressor Station Equip.	-	-	-	-	-	
36	889	Meas. & Reg. Sta. Eq. - Gen.	35,823	37,555	23,497	9,058	3,268	
37	890	Meas. & Reg. Sta. Eq. - Ind.	31,708	32,534	23,966	6,091	1,651	
38	891	Meas. & Reg. Sta. Eq. - City Gate	66,934	70,171	43,904	16,924	6,106	
39	892	Services	183,874	184,316	155,222	22,543	6,109	
40	893	Meters & House Regulators	139,761	143,403	105,638	26,849	7,275	
41	894	Other Equipment	1,050	1,065	833	167	49	
42		Total Maintenance	591,213	603,291	455,460	104,094	31,658	
43		Total Distribution	3,337,555	3,390,670	2,631,883	546,088	159,584	
44		Customer Accounts Expenses						
45	901	Supervision	333,446	335,016	281,487	40,881	11,078	
46	902	Meter Reading Expenses	224,305	225,361	189,353	27,500	7,452	
47	903	Customer Records & Collection	1,959,405	1,968,627	1,654,081	240,227	65,096	
48	904	Uncollectible Accounts	490,157	492,464	413,778	60,094	16,284	
49	905	Miscellaneous	74,684	75,036	63,047	9,156	2,481	
50		Total Customer Accounts Expenses	3,081,997	3,096,503	2,601,746	377,859	102,391	
51		Customer Service & Inform. Exp.						
52	907	Supervision	29,007	29,673	22,628	4,847	1,532	
53	909	Information & Instruction Exp.	42,812	43,795	33,396	7,154	2,261	
54	910	Miscellaneous	16,294	16,668	12,710	2,723	861	
55		Total Cust. Service & Inf. Exp.	88,113	90,136	68,735	14,724	4,654	
56		Sales Expenses						
57	911	Supervision	33,972	34,752	26,501	5,677	1,794	
58	912	Demonstrating & Selling Exp.	343,320	351,202	267,817	57,371	18,133	
59	913	Advertising Expenses	22,751	23,273	17,747	3,802	1,202	
60	916	Miscellaneous	1,246	1,275	972	208	66	
61		Total Sales Expenses	401,289	410,501	313,037	67,058	21,194	
62		Administrative & General Expenses						
63		Operation						
64	920	A & G Salaries	1,792,320	1,813,686	1,452,618	263,921	75,781	
65	921	Office Supplies & Expenses	789,633	799,046	639,972	116,274	33,387	
66	922	Transfers	(132,714)	(134,296)	(107,561)	(19,542)	(5,611)	
67	923	Outside Services Employed	630,233	637,746	510,783	92,802	26,647	
68	924	Property Insurance	1,783	1,808	1,421	280	82	
69	925	Injuries & Damages	511,325	517,421	414,413	75,293	21,619	
70	926	Employee Pensions & Benefits	1,942,967	1,966,129	1,574,713	286,104	82,151	
71	928	Regulatory Commission Expense	27,844	29,557	17,949	7,272	2,623	
72	930.1	General Advertising Expenses	9,412	9,524	7,628	1,386	398	
73	930.2	Miscellaneous	122,673	124,136	99,423	18,064	5,187	
74	931	Rents	304,765	308,398	247,002	44,877	12,886	
75	935	Maintenance of General Plant	267,166	270,351	216,530	39,340	11,296	
76		Total A & G Expenses	6,267,409	6,343,507	5,074,892	926,071	266,447	
77		Total Operation & Maintenance	13,181,905	13,337,169	10,693,891	1,933,226	554,787	

**AQUILA NETWORKS  
NEBRASKA RATE AREA TWO  
2006 RATE CASE**

**Exhibit VII - RA2  
Schedule A**

**COST OF SERVICE STUDY**

**Base Year Ended June 30, 2006**

[A]		[B]		[C]	[D]	[E]	
Line Number	Acct. No.	Description	Total Res, Comm, Energy Options	Total NE Rate Area 1 Adjusted	Residential	Commercial	Energy Options Firm
78		Supervised O & M before General	6,354,017	6,429,763	\$ 5,149,727 81.05%	\$ 935,635 14.73%	\$ 268,656 4.23%
		(1) L17+ L43- L29+ L50- L48+ L55+ L61					
1		<u>Depreciation Expense</u>					
2		Intangible	1,817	1,839	1,473	268	77
3		Manufactured Gas Plant	-	-	-	-	-
4		Production	-	-	-	-	-
5		Transmission	-	-	-	-	-
6		Distribution	1,805,000	1,831,046	1,432,438	287,819	84,743
7		General	1,290,253	1,305,634	1,045,709	189,991	54,553
8		Acquisition Adjustment	570,099	578,051	454,272	89,572	26,255
9		Total Depreciation Expense	3,667,169	3,716,570	2,933,891	567,650	165,628
10		<u>Taxes Other Than Income Taxes</u>					
11		Property Taxes	457,326	463,706	364,406	71,857	21,063
12		Payroll Taxes	558,460	565,118	452,614	82,234	23,612
13		Miscellaneous Taxes	(7,354)	(7,441)	(5,960)	(1,083)	(311)
14		Total Taxes Other Than Income Taxes	1,008,432	1,021,382	811,060	153,008	44,365
15		<u>Other Operating Revenues</u>					
16	483	Rents from Utility Property	6,664	6,757	5,310	1,047	307
17	487	Forfeited Discounts	276,033	276,033	276,033	-	-
18	488	Connects and Reconnects	634,120	637,105	535,309	77,745	21,067
19		Total Other Operating Revenues	916,817	919,895	816,652	78,792	21,374
			\$	\$	\$	\$	\$
1		<u>Summary</u>					
2		Rate Base	48,810,993	49,462,607	38,584,702	7,937,374	2,288,917
3		Rate of Return	9.60%	9.60%	9.60%	9.60%	9.60%
4		<u>Total Cost of Service</u>					
5		Operation & Maintenance & AG Expenses	13,181,905	13,337,169	10,693,891	1,933,226	554,787
6		Depreciation Expenses	3,667,169	3,716,570	2,933,891	567,650	165,628
7		Taxes Other Than Income Taxes	1,008,432	1,021,382	811,060	153,008	44,365
8		Return	4,685,855	4,748,410	3,704,131	761,988	219,736
9		Income Taxes	1,912,077	1,937,803	1,511,482	310,931	89,664
10		Other Operating Revenues	(916,817)	(919,895)	(816,652)	(78,792)	(21,374)
11		Total Cost of Service	23,538,621	23,841,239	18,837,803	3,648,012	1,052,806



**AQUILA NETWORKS  
NEBRASKA RATE AREA TWO  
2006 RATE CASE**

**Exhibit VII - RA2  
Schedule B**

**COST OF SERVICE STUDY**

**Test Year Ended June 30, 2006**

Line Number	Acct. No.	Description	[B] Total Res, Comm, Energy Options	[C] Residential \$	[D] Commercial \$	[E] Energy Options Firm \$
1		<b><u>Gas Plant in Service</u></b>				
2		<b><u>Intangible Plant</u></b>				
3	301	Organization	253	204	38	11
4	302	Franchises & Consents	73,879	59,662	11,016	3,201
5	303	Miscellaneous Intangible Plant	-	-	-	-
6		<b>Total Intangible Plant</b>	<b>74,132</b>	<b>59,866</b>	<b>11,053</b>	<b>3,212</b>
7		<b><u>Transmission Plant</u></b>				
8	365	Land & Land Rights & ROW	122,191	80,106	30,671	11,413
9	366	Structures & Improvements	5,758	3,775	1,445	538
10	367	Mains	2,965,936	1,944,426	744,488	277,022
11	369	Measuring & Reg. Station Eq.	286,173	187,611	71,833	26,729
12		<b>Total Transmission Plant</b>	<b>3,380,057</b>	<b>2,215,918</b>	<b>848,438</b>	<b>315,701</b>
13		<b><u>Distribution Plant</u></b>				
14	374.1	Land	26,963	17,786	6,704	2,474
15	374.3	Land Rights & Rights of Way	3,033	2,001	754	278
16	375.1	Structures & Improvements	8,042	5,305	2,000	738
17	375.5	Leasehold Improve-Building	-	-	-	-
18	376	Mains	29,908,428	23,228,567	5,041,770	1,638,089
19	377	Compressor Sta. Equip.	-	-	-	-
20	378	Meas. & Reg. Sta. Equip.	1,594,523	1,051,777	396,459	146,286
21	380	Services	19,691,738	16,623,282	2,414,249	654,207
22	381	Meters	6,835,936	5,166,885	1,313,204	355,848
23	382	Meter Installations	2,969,068	2,244,145	570,367	154,556
24	383	House Regulators	4,051,177	3,062,047	778,243	210,886
25	384	House Regulator Installations	220,234	166,462	42,308	11,464
26	385	Indust. Meas. & Reg. Sta. Equip.	1,589,976	1,201,770	305,439	82,767
27	385.1	Large Volume Meters	1,739,477	1,314,769	334,159	90,549
28	387	Other Equipment	-	-	-	-
29		AMR	10,975,161	9,264,962	1,345,578	364,621
30		Other Equipment	79,346	61,625	13,376	4,346
31	388	Asset Retirement Costs for Distribution Plant	-	-	-	-
32		<b>Total Distribution Plant</b>	<b>79,693,101</b>	<b>63,411,382</b>	<b>12,564,608</b>	<b>3,717,111</b>
33		<b><u>General Plant</u></b>				
34	389	Land & Land Rights	45,925	37,088	6,848	1,990
35	390.1	Structures and Improvements	3,212,672	2,594,453	479,018	139,200
36	390.5	Leasehold Improvements	465,686	376,073	69,435	20,177
37	391.1	Office Furniture & Equipment	1,343,946	1,085,329	200,386	58,231
38	391.2	Computer Equipment	10,821,278	8,738,927	1,613,483	468,869
39	392	Transportation Equipment	37,488	30,274	5,590	1,624
40	394	Tools & Work Equipment	1,093,540	883,109	163,050	47,381
41	395	Laboratory Equipment	45,218	36,517	6,742	1,959
42	396	Power Operated Equipment	222,433	179,630	33,165	9,638
43	397	Communication Equipment	259,846	209,843	38,744	11,259
44	398	Misc. Equipment	26,978	21,787	4,022	1,169
45	399	Other Intangible Property	2,086	1,685	311	90
46	399.10	Asset Retirement Costs for Gen Plt	3,742	3,022	558	162
47		<b>Total General Plant</b>	<b>17,580,839</b>	<b>14,197,737</b>	<b>2,621,352</b>	<b>761,750</b>
48		<b>Total Plant in Service</b>	<b>100,728,129</b>	<b>79,884,904</b>	<b>16,045,452</b>	<b>4,797,773</b>
49		<b>CWIP</b>	<b>1,371,432</b>	<b>1,127,355</b>	<b>188,821</b>	<b>55,256</b>
50		<b>Total Plant in Service including CWIP</b>	<b>102,099,560</b>	<b>81,012,259</b>	<b>16,234,272</b>	<b>4,853,029</b>
51		<b>Allowable Acquisition Adjustment</b>	<b>4,427,392</b>	<b>3,511,252</b>	<b>705,260</b>	<b>210,881</b>
52		<b>Total with Acquisition Adjustment</b>	<b>106,526,953</b>	<b>84,523,511</b>	<b>16,939,532</b>	<b>5,063,909</b>

**AQUILA NETWORKS  
NEBRASKA RATE AREA TWO  
2006 RATE CASE**

**Exhibit VII - RA2  
Schedule B**

**COST OF SERVICE STUDY**

**Test Year Ended June 30, 2006**

Line Number	Acct. No.	Description	[A]  Total Res, Comm, Energy Options	[B]  Residential \$	[C]  Commercial \$	[D]  Energy Options Firm \$
53		<u><b>Accumulated Depreciation</b></u>				
54		Intangible	51,305	41,433	7,650	2,223
55		Manufactured Gas Plant	-	-	-	-
56		Transmission	2,152,109	1,410,893	540,207	201,009
57		Distribution	28,666,855	22,810,066	4,519,686	1,337,103
58		General	8,770,538	7,082,813	1,307,712	380,013
59		Total Accumulated Depreciation	39,640,807	31,345,204	6,375,255	1,920,348
60		Allowable Acquisition Adjustment Acc. Depr.	3,142,076	2,491,901	500,516	149,660
61		<b>Total Accum. Deprec. with Adjustments</b>	<b>42,782,884</b>	<b>33,837,105</b>	<b>6,875,771</b>	<b>2,070,008</b>
62		Net Plant with Adjustments	63,744,069	50,686,406	10,063,762	2,993,901
63		<u><b>Other Rate Base Items</b></u>				
64		Cash Working Capital				
65		Gas Purchases	898,639	639,558	259,081	-
66		Other	490,640	396,226	73,156	21,259
67		Gas Storage	10,408,501	6,813,650	2,602,179	992,672
68		Prepayments	1,497,471	1,190,721	236,417	70,332
69		Materials & Supplies	183,056	145,248	29,107	8,701
70		Customer Deposits	(990,198)	(835,901)	(121,400)	(32,897)
71		Customer Advances	-	-	-	-
72		Accum. Deferred Income Taxes	(11,913,437)	(9,473,028)	(1,880,865)	(559,545)
73		<b>Total Other Rate Base Items</b>	<b>574,671</b>	<b>(1,123,527)</b>	<b>1,197,674</b>	<b>500,523</b>
74		<b>Total Rate Base</b>	<b>64,318,740</b>	<b>49,562,880</b>	<b>11,261,436</b>	<b>3,494,424</b>
1		<u><b>O &amp; M Expenses</b></u>				
2		<u><b>Manufactured Gas Production &amp; Gathering</b></u>				
3		Operation				
4	717	Liquified Petroleum Gas Expense	-	-	-	-
5	735	Mfg Gas Plant Clean-up & Eval	2,505	1,624	643	237
6	759	Other Expenses - Operation	-	-	-	-
7		<b>Total Operation</b>	<b>2,505</b>	<b>1,624</b>	<b>643</b>	<b>237</b>
8		<u><b>Maintenance</b></u>				
9	742	Production Equipment	-	-	-	-
10	766	Mtnce of Field Compressor Station Equip	-	-	-	-
11		<b>Total Maintenance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12		<b>Total Manufactured Gas Production &amp; Gathering</b>	<b>2,505</b>	<b>1,624</b>	<b>643</b>	<b>237</b>
13		<u><b>Transmission Expenses</b></u>				
14		Operation				
15	856	Mains Expenses	4,032	2,644	1,012	377
16	859	Other Expenses	1,007	660	253	94
17		<b>Total Transmission Expenses</b>	<b>5,040</b>	<b>3,304</b>	<b>1,265</b>	<b>471</b>
18		<u><b>Distribution Expenses</b></u>				
19		Operation				
20	870	Supervision & Engineering	478,768	378,041	77,879	22,848
21	871	Load Dispatching	3,860	2,503	991	366
22	872	Compressor Station Labor and Expense	-	-	-	-
23	874	Mains & Services	878,728	698,693	137,085	42,950
24	875	Measuring & Regulating Sta. Equip. - General	32,623	21,499	8,123	3,001

**AQUILA NETWORKS  
NEBRASKA RATE AREA TWO  
2006 RATE CASE**

**Exhibit VII - RA2  
Schedule B**

**COST OF SERVICE STUDY**

**Test Year Ended June 30, 2006**

	[A]			[B]	[C]	[D]	[E]
Line Number	Acct. No.	Description	Total Res, Comm, Energy Options	Residential \$	Commercial \$	Energy Options Firm \$	
25	877	Measuring & Regulating Sta. Equip. - CG	993	655	247	91	
26	878	Meters & House Regulators	636,990	481,464	122,368	33,159	
27	879	Customer Installation Expenses	334,210	282,132	40,975	11,103	
28	880	Other Expenses	554,404	441,136	87,409	25,859	
29	881	Rents	69,394	55,216	10,941	3,237	
30		Total Operation	2,989,971	2,361,338	486,018	142,615	
31		Maintenance					
32	885	Supervision & Engineering	951	729	170	53	
33	886	Mtnce of Structures and Improvements	7	5	2	1	
34	887	Mains	148,687	113,855	26,171	8,662	
35	888	Compressor Station Equip.	-	-	-	-	
36	889	Meas. & Reg. Sta. Eq. - Gen.	41,495	27,345	10,332	3,817	
37	890	Meas. & Reg. Sta. Eq. - Ind.	33,493	25,315	6,434	1,743	
38	891	Meas. & Reg. Sta. Eq. - City Gate	76,105	50,154	18,950	7,001	
39	892	Services	189,249	159,759	23,202	6,287	
40	893	Meters & House Regulators	149,451	112,961	28,710	7,780	
41	894	Other Equipment	1,068	850	168	50	
42		Total Maintenance	640,505	490,973	114,139	35,394	
43		Total Distribution	3,630,476	2,852,311	600,157	178,009	
44		<u>Customer Accounts Expenses</u>					
45	901	Supervision	196,952	166,262	24,147	6,543	
46	902	Meter Reading Expenses	242,346	204,583	29,712	8,051	
47	903	Customer Records & Collection	2,015,845	1,701,727	247,147	66,971	
48	904	Uncollectible Accounts	155,545	131,307	19,070	5,168	
49	905	Miscellaneous	81,155	68,509	9,950	2,696	
50		Total Customer Accounts Expenses	2,691,843	2,272,388	330,026	89,429	
51		<u>Customer Service &amp; Inform. Exp.</u>					
52	907	Supervision	32,012	25,002	5,311	1,699	
53	909	Information & Instruction Exp.	43,684	34,118	7,247	2,319	
54	910	Miscellaneous	18,182	14,201	3,016	965	
55		Total Cust. Service & Inf. Exp.	93,878	73,321	15,575	4,983	
56		<u>Sales Expenses</u>					
57	911	Supervision	38,253	29,877	6,346	2,030	
58	912	Demonstrating & Selling Exp.	369,622	288,684	61,321	19,618	
59	913	Advertising Expenses	91	71	15	5	
60	916	Miscellaneous	1,260	984	209	67	
61		Total Sales Expenses	409,226	319,615	67,891	21,720	
62		<u>Administrative &amp; General Expenses</u>					
63		Operation					
64	920	A & G Salaries	2,217,551	1,790,825	330,643	96,083	
65	921	Office Supplies & Expenses	795,674	642,561	118,637	34,475	
66	922	Transfers	(133,918)	(108,148)	(19,968)	(5,802)	
67	923	Outside Services Employed	631,031	509,601	94,088	27,342	
68	924	Property Insurance	1,832	1,456	289	86	
69	925	Injuries & Damages	573,795	463,379	85,555	24,862	
70	926	Employee Pensions & Benefits	2,738,963	2,211,901	408,387	118,675	
71	928	Regulatory Commission Expense	97,686	63,340	25,089	9,257	
72	930.1	General Advertising Expenses	37,589	30,356	5,605	1,629	
73	930.2	Miscellaneous	93,542	75,542	13,947	4,053	
74	931	Rents	274,934	222,028	40,993	11,912	
75	935	Maintenance of General Plant	280,903	226,849	41,883	12,171	
76		Total A & G Expenses	7,609,582	6,129,690	1,145,150	334,742	

**AQUILA NETWORKS  
NEBRASKA RATE AREA TWO  
2006 RATE CASE**

**Exhibit VII - RA2  
Schedule B**

**COST OF SERVICE STUDY**

**Test Year Ended June 30, 2006**

	[A]		[B]	[C]	[D]	[E]
Line Number	Acct. No.	Description	Total Res, Comm, Energy Options	Residential \$	Commercial \$	Energy Options Firm \$
77		Total Operation & Maintenance	14,442,551	11,652,253	2,160,706	629,591
78		Supervised O & M before General	6,605,525	5,334,416	984,902	286,207
		(1) L17+ L43- L29+ L50- L48+ L55+ L61		80.76%	14.91%	4.33%
1		<u>Depreciation Expense</u>				
2		Intangible	2,524	2,038	376	109
3		Manufactured Gas Plant	-	-	-	-
4		Production	-	-	-	-
5		Transmission	(121,073)	(79,374)	(30,391)	(11,308)
6		Distribution	3,955,476	3,147,352	623,630	184,495
7		General	1,418,957	1,145,906	211,570	61,481
8		Acquisition Adjustment	656,624	520,752	104,597	31,276
9		Total Depreciation Expense	5,912,509	4,736,674	909,783	266,052
10		<u>Taxes Other Than Income Taxes</u>				
11		Property Taxes	583,230	462,539	92,910	27,782
12		Payroll Taxes	493,274	398,352	73,548	21,373
13		Miscellaneous Taxes	(7,358)	(5,942)	(1,097)	(319)
14		Total Taxes Other Than Income Taxes	1,069,145	854,949	165,361	48,836
15		<u>Other Operating Revenues</u>				
16	483	Rents from Utility Property	6,662	5,283	1,061	317
17	487	Forfeited Discounts	276,033	276,033	-	-
18	488	Connects and Reconnects	634,120	535,309	77,745	21,067
19		Total Other Operating Revenues	916,815	816,625	78,806	21,384
1		<u>Summary</u>				
2		Rate Base	64,318,740	49,562,880	11,261,436	3,494,424
3		Rate of Return	9.60%	9.60%	9.60%	9.60%
4		<u>Total Cost of Service</u>				
5		Operation & Maintenance & AG Expenses	14,442,551	11,652,253	2,160,706	629,591
6		Depreciation Expenses	5,912,509	4,736,674	909,783	266,052
7		Taxes Other Than Income Taxes	1,069,145	854,949	165,361	48,836
8		Return	6,174,599	4,758,036	1,081,098	335,465
9		Income Taxes	2,519,564	1,941,531	441,145	136,887
10		Other Operating Revenues	(916,815)	(816,625)	(78,806)	(21,384)
11		Total Cost of Service	29,201,553	23,126,819	4,679,288	1,395,447

**AQUILA NETWORKS  
NEBRASKA RATE AREA THREE  
2006 RATE CASE**

**Exhibit VII - RA3  
Schedule A**

**COST OF SERVICE STUDY**

**Base Year Ended June 30, 2006**

Line Number	Acct. No.	Description	[B]		[C]	[D]	[E]
			Total Res, Comm, Energy Options	Total NE Rate Area 1 Adjusted \$	Residential \$	Commercial \$	Energy Options Firm \$
1		<u><b>Gas Plant in Service</b></u>					
2		<u><b>Intangible Plant</b></u>					
3	301	Organization	-	-	-	-	-
4	302	Franchises & Consents	16,158	16,990	11,979	2,860	1,319
5	303	Miscellaneous Intangible Plant	106,837	112,341	79,207	18,909	8,721
6		<b>Total Intangible Plant</b>	122,994	129,331	91,186	21,769	10,040
7		<u><b>Transmission Plant</b></u>					
8	365	Land & Land Rights & ROW	-	-	-	-	-
9	366	Structures & Improvements	-	-	-	-	-
10	367	Mains	80,929	88,601	50,004	18,471	12,453
11	369	Measuring & Reg. Station Eq.	54,685	59,869	33,789	12,481	8,415
12		<b>Total Transmission Plant</b>	135,613	148,470	83,793	30,952	20,868
13		<u><b>Distribution Plant</b></u>					
14	374.1	Land	50,208	54,574	31,388	11,243	7,577
15	374.3	Land Rights & Rights of Way	25,654	27,885	16,038	5,745	3,872
16	375.1	Structures & Improvements	134,001	145,655	83,771	30,007	20,223
17	375.5	Leasehold Improve-Building	-	-	-	-	-
18	376	Mains	26,625,595	27,550,777	19,223,081	4,817,439	2,585,074
19	377	Compressor Sta. Equip.	377	390	272	68	37
20	378	Meas. & Reg. Sta. Equip.	2,374,618	2,581,133	1,484,500	531,758	358,361
21	380	Services	17,637,954	17,925,143	13,648,973	2,803,979	1,185,003
22	381	Meters	4,494,851	5,271,316	2,973,874	1,069,142	451,835
23	382	Meter Installations	2,170,071	2,544,941	1,435,758	516,171	218,142
24	383	House Regulators	2,960,976	3,472,471	1,959,035	704,295	297,646
25	384	House Regulator Installations	160,968	188,774	106,499	38,288	16,181
26	385	Indust. Meas. & Reg. Sta. Equip.	1,057,619	1,240,318	699,740	251,565	106,315
27	385.1	Large Volume Meters	1,271,371	1,490,995	841,162	302,407	127,802
28	387	Other Equipment	-	-	-	-	-
29		AMR	-	-	-	-	-
30		Other Equipment	123,474	127,765	89,146	22,341	11,988
31	388	Asset Retirement Costs for Distribution Plant	5,187	5,497	3,739	975	473
32		<b>Total Distribution Plant</b>	59,092,924	62,627,635	42,596,975	11,105,423	5,390,526
33		<u><b>General Plant</b></u>					
34	389	Land & Land Rights	40,892	42,999	30,317	7,238	3,338
35	390.1	Structures and Improvements	2,806,105	2,950,682	2,080,396	496,658	229,051
36	390.5	Leasehold Improvements	414,651	436,015	307,415	73,390	33,846
37	391.1	Office Furniture & Equipment	1,149,861	1,209,104	852,486	203,516	93,859
38	391.2	Computer Equipment	9,504,690	9,994,391	7,046,606	1,682,254	775,830
39	392	Transportation Equipment	33,380	35,100	24,747	5,908	2,725
40	394	Tools & Work Equipment	925,554	973,241	686,189	163,816	75,549
41	395	Laboratory Equipment	40,263	42,337	29,850	7,126	3,286
42	396	Power Operated Equipment	192,187	202,089	142,484	34,016	15,687
43	397	Communication Equipment	231,369	243,290	171,533	40,951	18,886
44	398	Misc. Equipment	24,021	25,259	17,809	4,252	1,961
45	399	Other Intangible Property	1,858	1,954	1,377	329	152
46	399.10	Asset Retirement Costs for Gen Plt	3,332	3,503	2,470	590	272
47		<b>Total General Plant</b>	15,368,164	16,159,963	11,393,680	2,720,041	1,254,442
48		<b>Total Plant in Service</b>	74,719,696	79,065,398	54,165,634	13,878,186	6,675,876
49		<b>CWIP</b>	348,746	360,864	251,787	63,100	33,860
50		<b>Total Plant in Service including CWIP</b>	75,068,442	79,426,262	54,417,421	13,941,285	6,709,736
51		<b>Allowable Acquisition Adjustment</b>	-	-	-	-	-
52		<b>Total with Acquisition Adjustment</b>	75,068,442	79,426,262	54,417,421	13,941,285	6,709,736

**AQUILA NETWORKS  
NEBRASKA RATE AREA THREE  
2006 RATE CASE**

**Exhibit VII - RA3  
Schedule A**

**COST OF SERVICE STUDY**

**Base Year Ended June 30, 2006**

Line Number	Acct. No.	Description	[B]		[C]	[D]	[E]
			Total Res, Comm, Energy Options	Total NE Rate Area 1 Adjusted \$	Residential \$	Commercial \$	Energy Options Firm \$
53		<b><u>Accumulated Depreciation</u></b>					
54		Intangible	83,945	88,270	62,235	14,858	6,852
55		Manufactured Gas Plant	-	-	-	-	-
56		Transmission	93,551	102,421	57,804	21,352	14,396
57		Distribution	23,431,647	24,833,237	16,890,640	4,403,545	2,137,462
58		General	7,152,158	7,520,651	5,302,481	1,265,874	583,802
59		Total Accumulated Depreciation	30,761,301	32,544,579	22,313,160	5,705,629	2,742,513
60		Allowable Acquisition Adjustment Acc. Depr.	-	-	-	-	-
61		<b>Total Accum. Deprec. with Adjustments</b>	<b>30,761,301</b>	<b>32,544,579</b>	<b>22,313,160</b>	<b>5,705,629</b>	<b>2,742,513</b>
62		Net Plant with Adjustments	44,307,141	46,881,683	32,104,261	8,235,656	3,967,223
63		<b><u>Other Rate Base Items</u></b>					
64		Cash Working Capital					
65		Gas Purchases	666,427	666,427	481,535	184,892	-
66		Other	370,034	370,034	274,337	65,493	30,204
67		Gas Storage	1,293,575	1,300,364	793,338	298,629	201,608
68		Prepayments	1,077,426	1,140,032	780,686	200,268	96,472
69		Materials & Supplies	146,267	154,758	106,029	27,164	13,074
70		Customer Deposits	(801,875)	(826,595)	(620,524)	(127,477)	(53,874)
71		Customer Advances	-	-	-	-	-
72		Accum. Deferred Income Taxes	(8,987,452)	(9,509,683)	(6,512,167)	(1,670,556)	(804,729)
73		<b>Total Other Rate Base Items</b>	<b>(6,235,597)</b>	<b>(6,704,663)</b>	<b>(4,696,765)</b>	<b>(1,021,587)</b>	<b>(517,245)</b>
74		<b>Total Rate Base</b>	<b>38,071,543</b>	<b>40,177,020</b>	<b>27,407,496</b>	<b>7,214,069</b>	<b>3,449,978</b>
1		<b><u>O &amp; M Expenses</u></b>					
2		<b><u>Manufactured Gas Production &amp; Gathering</u></b>					
3		Operation					
4	717	Liquified Petroleum Gas Expense	-	-	-	-	-
5	735	Mfg Gas Plant Clean-up & Eval	1,622	1,817	986	380	256
6	759	Other Expenses - Operation	-	-	-	-	-
7		<b>Total Operation</b>	<b>1,622</b>	<b>1,817</b>	<b>986</b>	<b>380</b>	<b>256</b>
8		<b><u>Maintenance</u></b>					
9	742	Production Equipment	-	-	-	-	-
10	766	Mntnce of Field Compressor Station Equip	-	-	-	-	-
11		<b>Total Maintenance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12		<b>Total Manufactured Gas Production &amp; Gathering</b>	<b>1,622</b>	<b>1,817</b>	<b>986</b>	<b>380</b>	<b>256</b>
13		<b><u>Transmission Expenses</u></b>					
14		Operation					
15	856	Mains Expenses	3,213	3,517	1,985	733	494
16	859	Other Expenses	154	169	95	35	24
17		<b>Total Transmission Expenses</b>	<b>3,367</b>	<b>3,686</b>	<b>2,080</b>	<b>768</b>	<b>518</b>
18		<b><u>Distribution Expenses</u></b>					
19		Operation					
20	870	Supervision & Engineering	368,785	393,322	266,130	69,884	32,770
21	871	Load Dispatching	2,508	2,809	1,524	588	396
22	872	Compressor Station Labor and Expense	57	59	41	10	6

**AQUILA NETWORKS  
NEBRASKA RATE AREA THREE  
2006 RATE CASE**

**Exhibit VII - RA3  
Schedule A**

**COST OF SERVICE STUDY**

**Base Year Ended June 30, 2006**

Line Number	Acct. No.	Description	[B]		[C]	[D]	[E]
			Total Res, Comm, Energy Options	Total NE Rate Area 1 Adjusted \$	Residential \$	Commercial \$	Energy Options Firm \$
23	874	Mains & Services	741,388	761,786	550,419	127,730	63,239
24	875	Measuring & Regulating Sta. Equip. - Genera	44,048	47,887	27,530	9,868	6,650
25	877	Measuring & Regulating Sta. Equip. - CG	1,356	1,474	847	304	205
26	878	Meters & House Regulators	427,231	501,033	282,664	101,621	42,946
27	879	Customer Installation Expenses	292,167	296,924	226,091	46,447	19,629
28	880	Other Expenses	421,556	446,771	303,877	79,224	38,455
29	881	Rents	55,209	58,511	39,797	10,376	5,036
30		<b>Total Operation</b>	<b>2,354,304</b>	<b>2,510,577</b>	<b>1,698,920</b>	<b>446,051</b>	<b>209,333</b>
31		<b>Maintenance</b>					
32	885	Supervision & Engineering	845	907	589	168	88
33	886	Mtnce of Structures and Improvements	69	75	43	15	10
34	887	Mains	125,057	129,425	90,249	22,645	12,163
35	888	Compressor Station Equip.	1,909	1,975	1,378	345	185
36	889	Meas. & Reg. Sta. Eq. - Gen.	56,828	61,780	35,517	12,731	8,580
37	890	Meas. & Reg. Sta. Eq. - Ind.	23,139	27,136	15,309	5,504	2,326
38	891	Meas. & Reg. Sta. Eq. - City Gate	106,182	115,435	66,363	23,788	16,031
39	892	Services	168,175	170,913	130,141	26,735	11,299
40	893	Meters & House Regulators	101,993	119,612	67,481	24,260	10,253
41	894	Other Equipment	850	900	612	160	78
42		<b>Total Maintenance</b>	<b>585,047</b>	<b>628,160</b>	<b>407,681</b>	<b>116,352</b>	<b>61,013</b>
43		<b>Total Distribution</b>	<b>2,939,351</b>	<b>3,138,737</b>	<b>2,106,601</b>	<b>562,403</b>	<b>270,346</b>
44		<b><u>Customer Accounts Expenses</u></b>					
45	901	Supervision	232,363	239,526	179,812	36,940	15,611
46	902	Meter Reading Expenses	625,232	644,506	483,830	99,396	42,006
47	903	Customer Records & Collection	1,517,131	1,563,901	1,174,018	241,185	101,928
48	904	Uncollectible Accounts	357,992	369,029	277,029	56,912	24,052
49	905	Miscellaneous	52,044	53,648	40,274	8,274	3,497
50		<b>Total Customer Accounts Expenses</b>	<b>2,784,761</b>	<b>2,870,610</b>	<b>2,154,963</b>	<b>442,705</b>	<b>187,094</b>
51		<b><u>Customer Service &amp; Inform. Exp.</u></b>					
52	907	Supervision	20,556	21,769	14,830	3,756	1,969
53	909	Information & Instruction Exp.	30,338	32,128	21,888	5,544	2,906
54	910	Miscellaneous	11,547	12,228	8,330	2,110	1,106
55		<b>Total Cust. Service &amp; Inf. Exp.</b>	<b>62,441</b>	<b>66,124</b>	<b>45,049</b>	<b>11,411</b>	<b>5,981</b>
56		<b><u>Sales Expenses</u></b>					
57	911	Supervision	24,074	25,494	17,369	4,399	2,306
58	912	Demonstrating & Selling Exp.	243,294	257,643	175,527	44,460	23,306
59	913	Advertising Expenses	16,122	17,073	11,632	2,946	1,544
60	916	Miscellaneous	883	935	637	161	85
61		<b>Total Sales Expenses</b>	<b>284,373</b>	<b>301,146</b>	<b>205,165</b>	<b>51,967</b>	<b>27,241</b>
62		<b><u>Administrative &amp; General Expenses</u></b>					
63		<b>Operation</b>					
64	920	A & G Salaries	1,596,862	1,679,135	1,183,885	282,632	130,346
65	921	Office Supplies & Expenses	703,521	739,768	521,578	124,518	57,426
66	922	Transfers	(118,241)	(124,333)	(87,662)	(20,928)	(9,652)
67	923	Outside Services Employed	561,504	590,434	416,289	99,382	45,833
68	924	Property Insurance	1,382	1,462	1,001	257	124
69	925	Injuries & Damages	455,564	479,035	337,747	80,631	37,186
70	926	Employee Pensions & Benefits	1,731,081	1,820,269	1,283,392	306,387	141,301
71	928	Regulatory Commission Expense	21,522	24,108	13,077	5,045	3,400
72	930.1	General Advertising Expenses	8,386	8,818	6,217	1,484	684

**AQUILA NETWORKS  
NEBRASKA RATE AREA THREE  
2006 RATE CASE**

**Exhibit VII - RA3  
Schedule A**

**COST OF SERVICE STUDY**

**Base Year Ended June 30, 2006**

[A]			[B]		[C]	[D]	[E]
Line Number	Acct. No.	Description	Total Res, Comm, Energy Options	Total NE Rate Area 1 Adjusted	Residential	Commercial	Energy Options Firm
				\$	\$	\$	\$
73	930.2	Miscellaneous	109,295	114,926	81,030	19,344	8,921
74	931	Rents	271,530	285,519	201,307	48,059	22,164
75	935	Maintenance of General Plant	238,031	250,295	176,472	42,130	19,430
76		<b>Total A &amp; G Expenses</b>	<b>5,580,436</b>	<b>5,869,437</b>	<b>4,134,333</b>	<b>988,940</b>	<b>457,163</b>
77		<b>Total Operation &amp; Maintenance</b>	<b>11,656,351</b>	<b>12,251,557</b>	<b>8,649,177</b>	<b>2,058,575</b>	<b>948,600</b>



**AQUILA NETWORKS  
NEBRASKA RATE AREA THREE  
2006 RATE CASE**

**Exhibit VII - RA3  
Schedule B**

**COST OF SERVICE STUDY**

**Test Year Ended June 30, 2006**

[A]			[B]		[C]	[D]	[E]
Line Number	Acct. No.	Description	Total Res, Comm, Energy Options	Total NE Rate Area 1 Adjusted \$	Residential \$	Commercial \$	Energy Options Firm \$
1		<u>Gas Plant in Service</u>					
2		<u>Intangible Plant</u>					
3	301	Organization	-	-	-	-	-
4	302	Franchises & Consents	16,164	16,990	11,980	2,865	1,319
5	303	Miscellaneous Intangible Plant	106,879	112,341	79,212	18,945	8,721
6		Total Intangible Plant	123,042	129,331	91,192	21,811	10,040
7		<u>Transmission Plant</u>					
8	365	Land & Land Rights & ROW	-	-	-	-	-
9	366	Structures & Improvements	-	-	-	-	-
10	367	Mains	81,731	88,601	50,700	18,559	12,473
11	369	Measuring & Reg. Station Eq.	55,227	59,869	34,258	12,541	8,428
12		Total Transmission Plant	136,958	148,470	84,958	31,099	20,900
13		<u>Distribution Plant</u>					
14	374.1	Land	50,668	54,574	31,806	11,281	7,581
15	374.3	Land Rights & Rights of Way	25,889	27,885	16,252	5,764	3,873
16	375.1	Structures & Improvements	135,230	145,655	84,888	30,109	20,233
17	375.5	Leasehold Improve-Building	-	-	-	-	-
18	376	Mains	27,611,899	28,495,704	19,955,939	4,985,026	2,670,934
19	377	Compressor Sta. Equip.	378	390	273	68	37
20	378	Meas. & Reg. Sta. Equip.	2,520,240	2,714,529	1,582,041	561,132	377,067
21	380	Services	18,757,806	19,063,228	14,515,560	2,982,006	1,260,240
22	381	Meters	4,988,636	5,850,401	3,300,571	1,186,593	501,472
23	382	Meter Installations	2,166,726	2,541,019	1,433,545	515,376	217,805
24	383	House Regulators	2,956,412	3,467,119	1,956,015	703,210	297,187
25	384	House Regulator Installations	160,720	188,483	106,335	38,229	16,156
26	385	Indust. Meas. & Reg. Sta. Equip.	1,160,311	1,360,749	767,682	275,991	116,638
27	385.1	Large Volume Meters	1,269,412	1,488,697	839,866	301,941	127,605
28	387	Other Equipment	-	-	-	-	-
29		AMR	-	-	-	-	-
30		Other Equipment	140,371	144,864	101,450	25,342	13,578
31	388	Asset Retirement Costs for Distribution Plant	5,195	5,497	3,748	975	472
32		Total Distribution Plant	61,949,894	65,548,795	44,695,973	11,623,044	5,630,877
33		<u>General Plant</u>					
34	389	Land & Land Rights	40,569	42,642	30,067	7,191	3,310
35	390.1	Structures and Improvements	2,837,970	2,983,014	2,103,331	503,062	231,577
36	390.5	Leasehold Improvements	411,372	432,396	304,884	72,920	33,568
37	391.1	Office Furniture & Equipment	1,187,198	1,247,874	879,879	210,444	96,875
38	391.2	Computer Equipment	9,559,168	10,047,721	7,084,675	1,694,470	780,023
39	392	Transportation Equipment	33,116	34,808	24,543	5,870	2,702
40	394	Tools & Work Equipment	965,998	1,015,369	715,939	171,234	78,825
41	395	Laboratory Equipment	39,944	41,986	29,604	7,081	3,259
42	396	Power Operated Equipment	196,490	206,533	145,627	34,830	16,034
43	397	Communication Equipment	229,539	241,271	170,121	40,688	18,730
44	398	Misc. Equipment	23,831	25,049	17,662	4,224	1,945
45	399	Other Intangible Property	1,843	1,937	1,366	327	150
46	399.10	Asset Retirement Costs for Gen Plt	3,305	3,474	2,450	586	270
47		Total General Plant	15,530,345	16,324,075	11,510,149	2,752,928	1,267,268
48		Total Plant in Service	77,740,239	82,150,671	56,382,271	14,428,882	6,929,086
49		CWIP	428,548	442,265	309,724	77,370	41,454
50		Total Plant in Service including CWIP	78,168,787	82,592,936	56,691,996	14,506,251	6,970,540
51		Allowable Acquisition Adjustment	-	-	-	-	-
52		Total with Acquisition Adjustment	78,168,787	82,592,936	56,691,996	14,506,251	6,970,540

**AQUILA NETWORKS  
NEBRASKA RATE AREA THREE  
2006 RATE CASE**

**Exhibit VII - RA3  
Schedule B**

**COST OF SERVICE STUDY**

**Test Year Ended June 30, 2006**

Line Number	Acct. No.	Description	[B]		[C]	[D]	[E]
			Total Res, Comm, Energy Options	Total NE Rate Area 1 Adjusted \$	Residential \$	Commercial \$	Energy Options Firm \$
53		<b><u>Accumulated Depreciation</u></b>					
54		Intangible	85,156	89,508	63,112	15,095	6,949
55		Manufactured Gas Plant	-	-	-	-	-
56		Transmission	87,202	94,532	54,093	19,801	13,307
57		Distribution	23,555,656	24,924,092	16,995,073	4,419,514	2,141,069
58		General	7,747,610	8,143,577	5,742,058	1,373,351	632,201
59		Total Accumulated Depreciation	31,475,623	33,251,709	22,854,337	5,827,761	2,793,526
60		Allowable Acquisition Adjustment Acc. Depr.	-	-	-	-	-
61		<b>Total Accum. Deprec. with Adjustments</b>	<b>31,475,623</b>	<b>33,251,709</b>	<b>22,854,337</b>	<b>5,827,761</b>	<b>2,793,526</b>
62		Net Plant with Adjustments	46,693,163	49,341,227	33,837,659	8,678,491	4,177,014
63		<b><u>Other Rate Base Items</u></b>					
64		Cash Working Capital					
65		Gas Purchases	752,768	752,768	545,350	207,418	-
66		Other	367,371	367,371	272,273	65,121	29,977
67		Gas Storage	4,326,112	4,346,267	2,661,625	995,343	669,145
68		Prepayments	1,096,912	1,159,120	794,912	203,874	98,126
69		Materials & Supplies	141,286	149,282	102,468	26,219	12,599
70		Customer Deposits	(801,875)	(826,595)	(620,524)	(127,477)	(53,874)
71		Customer Advances	-	-	-	-	-
72		Accum. Deferred Income Taxes	(8,726,711)	(9,221,621)	(6,324,084)	(1,621,965)	(780,662)
73		<b>Total Other Rate Base Items</b>	<b>(2,844,137)</b>	<b>(3,273,407)</b>	<b>(2,567,980)</b>	<b>(251,468)</b>	<b>(24,689)</b>
74		<b>Total Rate Base</b>	<b>43,849,026</b>	<b>46,067,819</b>	<b>31,269,679</b>	<b>8,427,023</b>	<b>4,152,325</b>
1		<b><u>O &amp; M Expenses</u></b>					
2		<b><u>Manufactured Gas Production &amp; Gathering</u></b>					
3		Operation					
4	717	Liquified Petroleum Gas Expense	-	-	-	-	-
5	735	Mfg Gas Plant Clean-up & Eval	1,954	2,162	1,192	455	306
6	759	Other Expenses - Operation	-	-	-	-	-
7		<b>Total Operation</b>	<b>1,954</b>	<b>2,162</b>	<b>1,192</b>	<b>455</b>	<b>306</b>
8		<b><u>Maintenance</u></b>					
9	742	Production Equipment	-	-	-	-	-
10	766	Mtnce of Field Compressor Station Equip	-	-	-	-	-
11		<b>Total Maintenance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12		<b>Total Manufactured Gas Production &amp; Gathering</b>	<b>1,954</b>	<b>2,162</b>	<b>1,192</b>	<b>455</b>	<b>306</b>
13		<b><u>Transmission Expenses</u></b>					
14		Operation					
15	856	Mains Expenses	3,326	3,606	2,063	755	508
16	859	Other Expenses	41	44	25	9	6
17		<b>Total Transmission Expenses</b>	<b>3,367</b>	<b>3,650</b>	<b>2,089</b>	<b>765</b>	<b>514</b>
18		<b><u>Distribution Expenses</u></b>					
19		Operation					
20	870	Supervision & Engineering	399,945	426,296	288,757	75,781	35,407
21	871	Load Dispatching	3,011	3,331	1,837	702	472
22	872	Compressor Station Labor and Expense	57	59	41	10	6
23	874	Mains & Services	776,512	796,506	577,095	133,492	65,924
24	875	Measuring & Regulating Sta. Equip. - General	44,675	48,126	28,037	9,951	6,687
25	877	Measuring & Regulating Sta. Equip. - CG	1,360	1,465	854	303	204

**AQUILA NETWORKS  
NEBRASKA RATE AREA THREE  
2006 RATE CASE**

**Exhibit VII - RA3  
Schedule B**

**COST OF SERVICE STUDY**

**Test Year Ended June 30, 2006**

[A]		[B]		[C]	[D]	[E]	
Line Number	Acct. No.	Description	Total Res, Comm, Energy Options	Total NE Rate Area 1 Adjusted	Residential	Commercial	Energy Options Firm
			\$	\$	\$	\$	\$
26	878	Meters & House Regulators	464,854	545,156	307,556	110,570	46,728
27	879	Customer Installation Expenses	318,360	323,543	246,360	50,611	21,389
28	880	Other Expenses	430,969	456,006	310,938	80,858	39,173
29	881	Rents	53,944	57,077	38,920	10,121	4,903
30		Total Operation	2,493,686	2,657,565	1,800,394	472,399	220,892
31		Maintenance					
32	885	Supervision & Engineering	897	960	627	178	92
33	886	Mince of Structures and Improvements	67	73	42	15	10
34	887	Mains	125,255	129,284	90,488	22,631	12,137
35	888	Compressor Station Equip.	2,126	2,194	1,537	384	206
36	889	Meas. & Reg. Sta. Eq. - Gen.	56,824	61,213	35,661	12,657	8,505
37	890	Meas. & Reg. Sta. Eq. - Ind.	24,442	28,664	16,171	5,814	2,457
38	891	Meas. & Reg. Sta. Eq. - City Gate	104,220	112,270	65,406	23,215	15,600
39	892	Services	180,273	183,208	139,503	28,659	12,112
40	893	Meters & House Regulators	109,064	127,904	72,159	25,942	10,963
41	894	Other Equipment	830	878	599	156	75
42		Total Maintenance	603,999	646,650	422,193	119,649	62,157
43		Total Distribution	3,097,685	3,304,214	2,222,587	592,049	283,049
44		<u>Customer Accounts Expenses</u>					
45	901	Supervision	137,247	141,478	106,207	21,819	9,221
46	902	Meter Reading Expenses	675,519	696,344	522,744	107,390	45,385
47	903	Customer Records & Collection	1,560,831	1,608,949	1,207,835	248,132	104,864
48	904	Uncollectible Accounts	100,894	104,004	78,076	16,039	6,779
49	905	Miscellaneous	56,553	58,297	43,763	8,990	3,800
50		Total Customer Accounts Expenses	2,531,044	2,609,071	1,958,626	402,370	170,048
51		<u>Customer Service &amp; Inform. Exp.</u>					
52	907	Supervision	22,770	24,019	16,437	4,156	2,177
53	909	Information & Instruction Exp.	31,071	32,776	22,430	5,671	2,971
54	910	Miscellaneous	12,933	13,642	9,336	2,361	1,236
55		Total Cust. Service & Inf. Exp.	66,774	70,436	48,202	12,188	6,384
56		<u>Sales Expenses</u>					
57	911	Supervision	27,209	28,701	19,641	4,966	2,601
58	912	Demonstrating & Selling Exp.	262,906	277,326	189,784	47,986	25,135
59	913	Advertising Expenses	65	68	47	12	6
60	916	Miscellaneous	896	945	647	164	86
61		Total Sales Expenses	291,075	307,040	210,119	53,127	27,829
62		<u>Administrative &amp; General Expenses</u>					
63		Operation					
64	920	A & G Salaries	1,958,913	2,059,029	1,451,827	347,239	159,846
65	921	Office Supplies & Expenses	702,873	738,795	520,926	124,592	57,354
66	922	Transfers	(118,299)	(124,345)	(87,676)	(20,970)	(9,653)
67	923	Outside Services Employed	557,432	585,922	413,135	98,811	45,486
68	924	Property Insurance	1,342	1,418	972	249	120
69	925	Injuries & Damages	506,872	532,778	375,663	89,849	41,361
70	926	Employee Pensions & Benefits	2,419,511	2,543,169	1,793,195	428,886	197,431
71	928	Regulatory Commission Expense	76,186	84,293	46,497	17,757	11,932
72	930.1	General Advertising Expenses	33,205	34,902	24,610	5,886	2,710
73	930.2	Miscellaneous	82,632	86,855	61,242	14,647	6,743
74	931	Rents	242,868	255,280	179,999	43,051	19,818
75	935	Maintenance of General Plant	248,141	260,823	183,907	43,986	20,248
76		Total A & G Expenses	6,711,676	7,058,919	4,964,297	1,193,983	553,395

**AQUILA NETWORKS  
NEBRASKA RATE AREA THREE  
2006 RATE CASE**

**Exhibit VII - RA3  
Schedule B**

**COST OF SERVICE STUDY**

**Test Year Ended June 30, 2006**

Line Number	Acct. No.	Description	[B]		[C]	[D]	[E]
			Total Res, Comm, Energy Options	Total NE Rate Area 1 Adjusted \$	Residential \$	Commercial \$	Energy Options Firm \$
77		<b>Total Operation &amp; Maintenance</b>	12,703,574	13,355,493	9,407,112	2,254,937	1,041,524
78		<b>Supervised O &amp; M before General</b>	5,835,107	6,133,330	4,324,627 74.11%	1,034,338 17.73%	476,142 8.16%
		(1) L17+ L43- L29+ L50- L48+ L55+ L61					
1		<b><u>Depreciation Expense</u></b>					
2		Intangible	4,189	4,403	3,105	743	342
3		Manufactured Gas Plant	-	-	-	-	-
4		Production	-	-	-	-	-
5		Transmission	(4,906)	(5,318)	(3,043)	(1,114)	(749)
6		Distribution	2,337,578	2,473,376	1,686,529	438,576	212,472
7		General	1,253,461	1,317,523	928,989	222,190	102,282
8		Acquisition Adjustment	-	-	-	-	-
9		<b>Total Depreciation Expense</b>	3,590,322	3,789,985	2,615,580	660,395	314,347
10		<b><u>Taxes Other Than Income Taxes</u></b>					
11		Property Taxes	679,891	718,469	493,084	126,199	60,608
12		Payroll Taxes	435,742	458,012	322,945	77,240	35,556
13		Miscellaneous Taxes	(6,500)	(6,832)	(4,817)	(1,152)	(530)
14		<b>Total Taxes Other Than Income Taxes</b>	1,109,133	1,169,649	811,212	202,287	95,634
15		<b><u>Other Operating Revenues</u></b>					
16	483	Rents from Utility Property	4,210	4,449	3,053	781	375
17	487	Forfeited Discounts	191,907	191,907	191,907	-	-
18	488	Connects and Reconnects	327,002	337,083	253,048	51,985	21,970
19		<b>Total Other Operating Revenues</b>	523,119	533,439	448,008	52,766	22,345
1		<b><u>Summary</u></b>					
2		Rate Base	43,848,026	46,067,819	31,269,679	8,427,023	4,152,325
3		Rate of Return	9.60%	9.60%	9.60%	9.60%	9.60%
4		<b><u>Total Cost of Service</u></b>					
5		Operation & Maintenance & AG Expenses	12,703,574	13,355,493	9,407,112	2,254,937	1,041,524
6		Depreciation Expenses	3,590,322	3,789,985	2,615,580	660,395	314,347
7		Taxes Other Than Income Taxes	1,109,133	1,169,649	811,212	202,287	95,634
8		Return	4,209,507	4,422,511	3,001,889	808,994	398,623
9		Income Taxes	1,717,702	1,804,619	1,224,930	330,113	162,659
10		Other Operating Revenues	(523,119)	(533,439)	(448,008)	(52,766)	(22,345)
11		<b>Total Cost of Service</b>	22,807,118	24,008,817	16,612,716	4,203,960	1,990,443

**GENERAL INDEX**

<u>Section</u>	<u>Section Designation</u>	<u>Index Number</u>
General Index	Index	1
Superseded Index	Index	2
General Information		
List of communities served	GI	3
Service territory	GI	4
Definitions	GI	5
Service Fee Schedule	GI	6
Intentionally Left Blank	GI	7
Gas Cost Adjustment (GCA)	GCA	8
Monthly GCA Factor(s)	GCA	9
Intentionally Left Blank	GCA	10
Intentionally Left Blank	GCA	11
Intentionally Left Blank	GCA	12
Rate Schedule Index	RS	12
Traditional Sales Service	RS	13
Fixed Price Option	RS	14
Energy Options Program	RS	15
Economic Development Rate	RS	16
Intentionally Left Blank	RS	17
Intentionally Left Blank	RS	18
Intentionally Left Blank	RS	19
General Rules and Regulations Index	GRR	20
General Service Terms and Conditions	GRR	21
Customer Deposit	GRR	22
Billing and Payment	GRR	23
Disconnections	GRR	24
Intentionally Left Blank	GRR	25
Intentionally Left Blank	GRR	26
Intentionally Left Blank	GRR	27
Intentionally Left Blank	GRR	28
Line Extension	GRR	29
Intentionally Left Blank	GRR	30

**Nebraska Operations****Sheet 2 of 2****GENERAL INDEX**

<u>Section</u>	<u>Section Designation</u>	<u>Index Number</u>
Intentionally Left Blank	GRR	31
Cold Weather Rule	GRR	32
Intentionally Left Blank	GRR	33
Intentionally Left Blank	GRR	34
Intentionally Left Blank	GRR	35
Intentionally Left Blank	GRR	36
Intentionally Left Blank	GRR	37
Intentionally Left Blank	GRR	38
Intentionally Left Blank	GRR	39

**NEBRASKA PUBLIC SERVICE COMMISSION**

AQUILA INC. d/b/a

AQUILA NETWORKS

**Index No. 2**

Section: Index

Second Revised Sheet 1 of 2

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Nebraska Operations

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**SUPERCEDED INDEX****NEW****REPLACES**

<u>Index</u>	<u>Section</u>	<u>Sheet</u>	<u>Description/Title</u>	<u>Index</u>	<u>Section</u>	<u>Sheet</u>	<u>Effective Date</u>
1	Index	1 of 2	General Index		--New--		
1	Index	2 of 2	General Index		--New--		
2	Index	1 of 2	Superceded Index		--New--		
2	Index	2 of 2	Superceded Index		--New--		
3	GI	1 of 1	List of Communities		Similar list shown on:		
3	GI	1 of 1	List of Communities		Original RS-301 & 302	1 of 1	Feb. 1, 2004
3	GI	1 of 1	List of Communities		Original RS-303 & 304	1 of 1	Feb. 1, 2004
3	GI	1 of 1	List of Communities		Original RS-305 & 306	1, 2, 3 of 3	Feb. 1, 2004
4	GI	1 of 3	Rate Area I (map)		Index No. Original Schedule		May 31, 2003
4	GI	2 of 3	Rate Area II (map)		Index No. Original Schedule		May 31, 2003
4	GI	3 of 3	Rate Area III (map)		Index No. Original Schedule		May 31, 2003
5	GI	1 of 1	Definitions		--New--		
6	GI	1 of 1	Service Fee Schedule		Index No. Original Schedule		May 31, 2003
8	GCA	1 of 2	Gas Cost Adjustment		Original Index No. 8	1 of 2	Dec. 1, 2004
8	GCA	2 of 2	Gas Cost Adjustment		Original Index No. 8	2 of 2	Dec. 1, 2004
9	GCA	1 of 1	Gas Cost Adjustment Factors		Original GCA Index 9	1 of 1	June 1, 2005
13	RS	1, 2 of 2	Traditional Sales Service		Original RS-301 & 302	1 of 1	Feb. 1, 2004
13	RS	2 of 2	Traditional Sales Service		Original RS-303 & 304	1 of 1	Feb. 1, 2004
13	RS	2 of 2	Traditional Sales Service		Original RS-305 & 306	1, 2, 3 of 3	Feb. 1, 2004

Date Issued: December 1, 2005

Issued By: Steven M. Jurek

Vice President, Regulatory Affairs

Effective Date: December 1, 2005

**NEBRASKA PUBLIC SERVICE COMMISSION**

AQUILA INC. d/b/a

AQUILA NETWORKS

**Index No. 2**

Section: Index

Second Revised Sheet 2 of 2

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Nebraska Operations

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**SUPERCEDED INDEX****NEW****REPLACES**

<u>Index</u>	<u>Section</u>	<u>Sheet</u>	<u>Description/Title</u>	<u>Index</u>	<u>Section</u>	<u>Sheet</u>	<u>Effective Date</u>
14	RS	1 of 1	Fixed Price Option		Original RS-308	1 of 1	Feb. 1, 2004
15	RS	1 of 2	Energy Options Program		Original RS-307	1 of 2	Feb. 1, 2004
15	RS	2 of 2	Energy Options Program		Original RS-307	2 of 2	Feb. 1, 2004
16	RS	1 of 2	Economic Development Rate		--NEW--	1 of 2	July 1, 2005
16	RS	1 of 2	Economic Development Rate		--NEW--	2 of 2	July 1, 2005
20	GRR	1 of 2	General Rules & Reg. Index		(Note 1)		
20	GRR	2 of 2	General Rules & Reg. Index		(Note 1)		
21	GRR	1 of 3	General Service Terms and Conditions		(Note 1)		
21	GRR	2 of 3	General Service Terms and Conditions		(Note 1)		
21	GRR	3 of 3	General Service Terms and Conditions		(Note 1)		
22	GRR	1 of 1	Customer Deposits		(Note 1)		
23	GRR	1 of 2	Billing and Payments		(Note 1)		
23	GRR	2 of 2	Billing and Payments		(Note 1)		
24	GRR	1 of 1	Disconnection Policy		(Note 1)		
29	GRR	1 of 1	Line Extension Policy		(Note 1)		
32	GRR	1 of 3	Cold Weather Rule		(Note 1)		
32	GRR	2 of 3	Cold Weather Rule		(Note 1)		
32	GRR	3 of 3	Cold Weather Rule		(Note 1)		

Note 1: The entire General Rules and Regulation Section has been replaced.



Nebraska Operations

Sheet 1 of 1

**GENERAL INFORMATION  
COMMUNITIES SERVED**

**RATE AREA ONE**

Bellevue	Papillion
Blair	Plattsmouth
Elkhorn	Ralston
Gretna	Valley
Lavista	Waterloo

**RATE AREA TWO**

Lincoln  
Cheney  
Walton

**RATE AREA THREE**

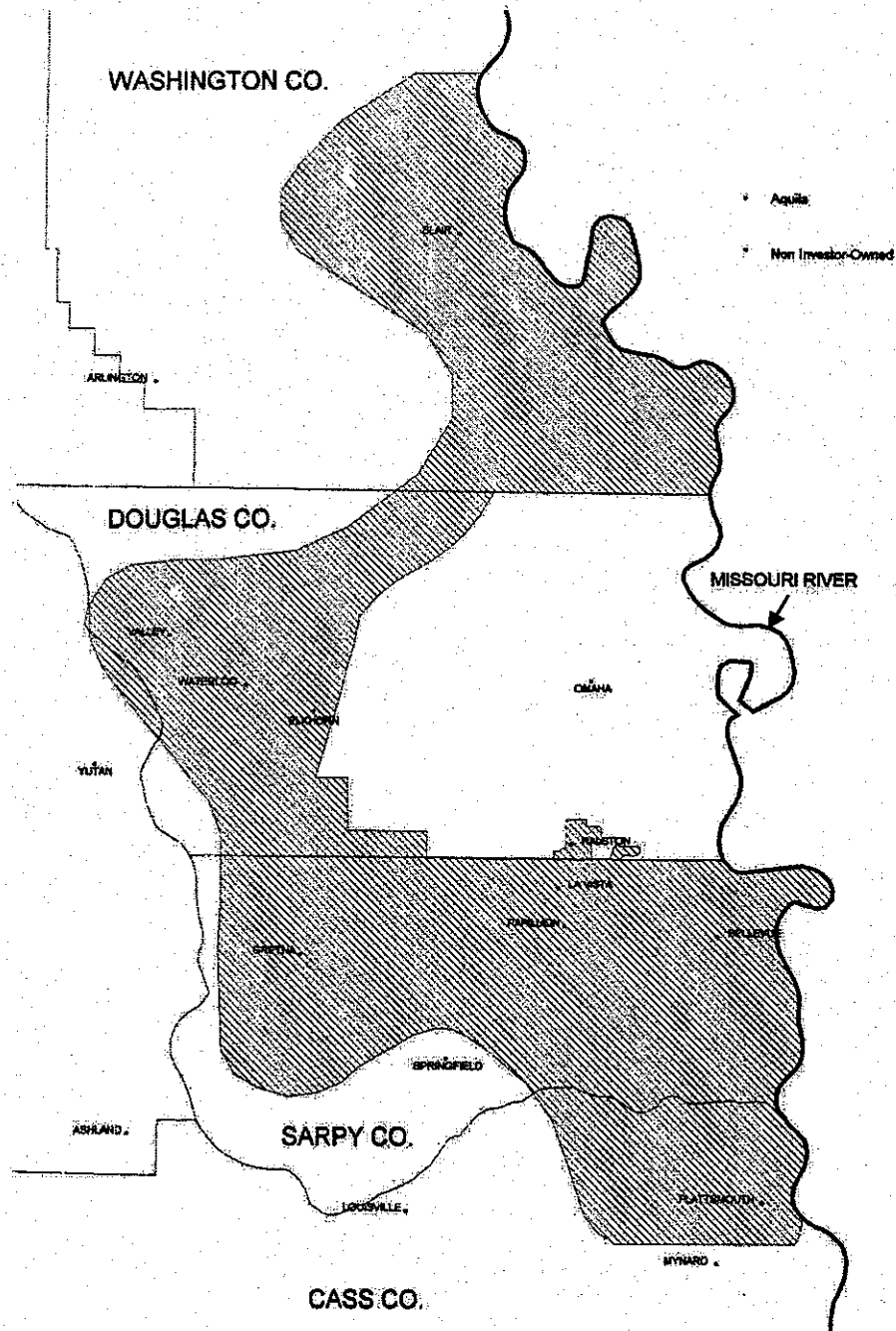
Adams	Emerson	Manley	Scribner
Arlington	Endicott	Mead	Seward
Ashland	Exeter	Meadow Grove	Shelby
Auburn	Fairbury	Milford	Stanton
Aurora	Fairmont	Murdock	Stapelhurst
Avoca	Firth	Murray	Sterling
Bancroft	Friend	Mynard	Table Rock
Battle Creek	Garrison	Newman Grove	Tecumseh
Beatrice	Geneva	Nickerson	Tekamah
Bee	Grafton	Norfolk	Thurston
Beemer	Greenwood	North Bend	Tilden
Bennet	Hallam	Oakland	Uehling
Blue Springs	Hampton	Odell	Ulysses
Bradshaw	Hickman	Osceola	Wakefield
Clatonia	Holland	Palmyra	Walthill
Columbus	Homer	Panama	Waverly
Cortland	Hooper	Pawnee City	Wayne
Craig	Humboldt	Peru	Weeping Water
Crete	Humphrey	Pierce	West Point
David City	Jackson	Pilger	Wilber
Dewitt	Johnson	Plymouth	Winnebago
Dorchester	Lindsay	Rising City	Wymore
Eagle	Louisville	Rosalie	York
Elmwood	Madison	Schuyler	

Nebraska Operations

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General Information Service Territory

Aquila, Inc.—Rate Area 1



**NEBRASKA PUBLIC SERVICE COMMISSION**

AQUILA INC. d/b/a  
AQUILA NETWORKS

**Index No. 4**

Section: GI

Original

Replacing: Original Schedule

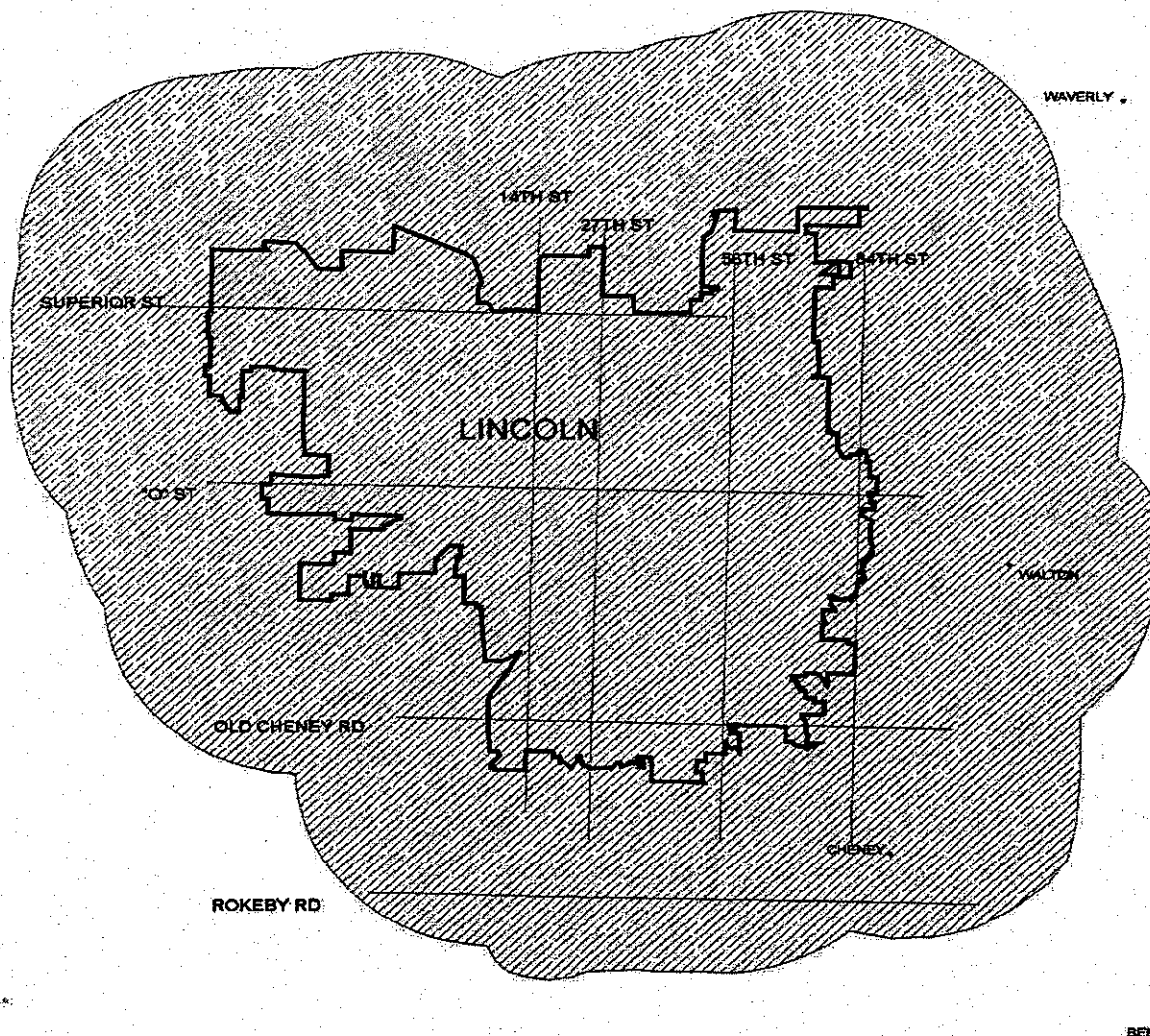
Effective: May 31, 2003

Nebraska Operations

Sheet 2 of 3

**General Information Service Territory**

**Aquila, Inc.—Rate Area 2**

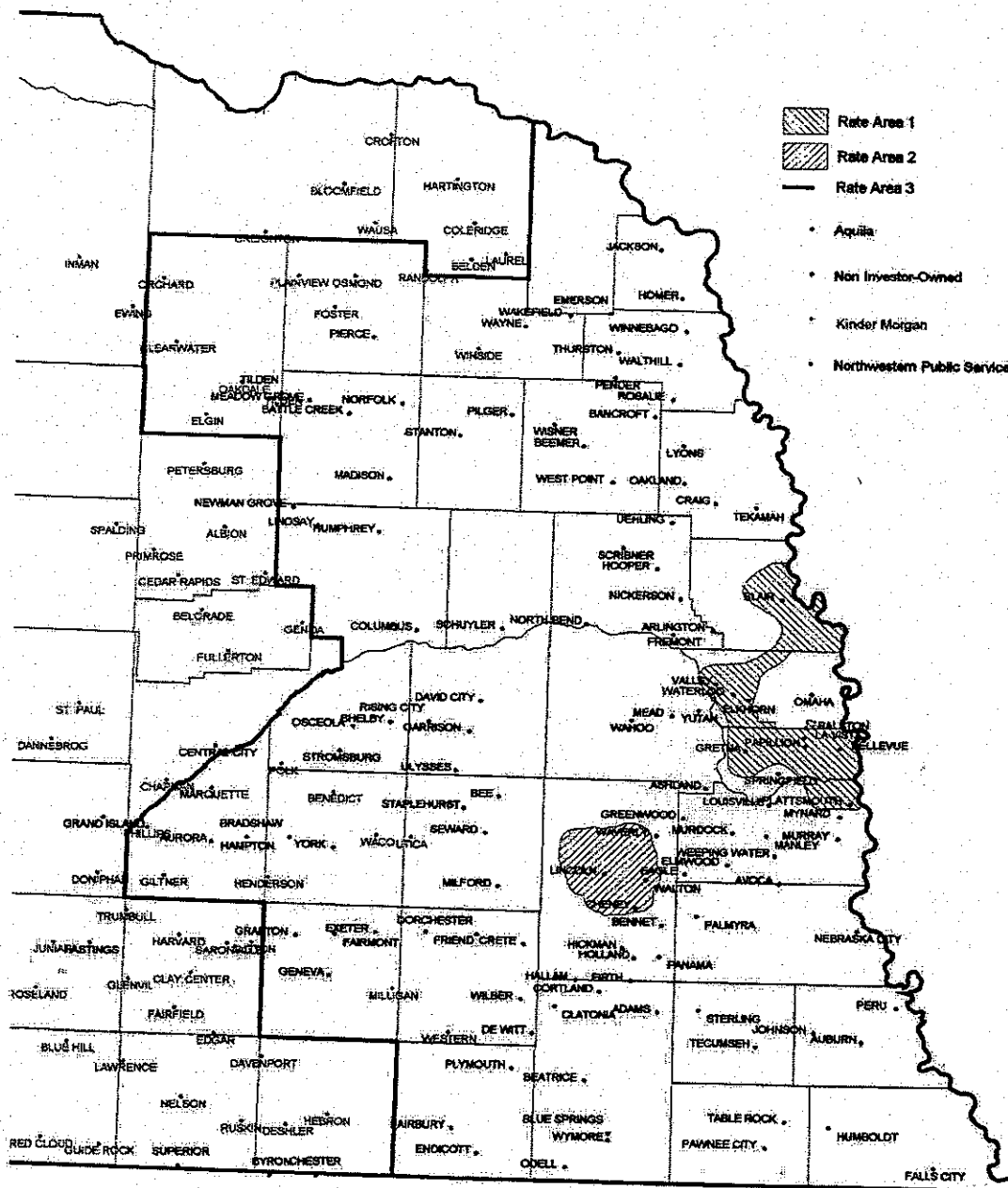


Nebraska Operations

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General Information Service Territory

Aquila, Inc.—Rate Area 3



**GENERAL INFORMATION - DEFINITIONS**

1. **Cubic Foot of Gas**

For the purpose of testing as under these rules, a cubic foot of gas means that amount of gas which, when saturated with water vapor at a temperature of sixty degrees (60°) Fahrenheit and subjected to an absolute pressure equal to thirty inches (30") of mercury, at thirty-two degrees (32°) Fahrenheit, (14.73 pounds per square inch), occupies a volume of one (1) cubic foot.

2. **Heating Value of Gas**

The minimum heating value (Btu) of natural gas distributed by this Company shall be not less than 900 Btu, the measurement being made conforming to standard conditions of these rules and regulations.

3. **Local Pressure Base**

For the purpose of measurement of gas to a customer, a cubic foot of gas shall be taken to be the amount of gas, which occupies a volume of one (1) cubic foot under the conditions existing in such customer's meter as and where installed.

Nebraska Operations

Sheet 1 of 1

**SERVICE FEE SCHEDULE – ALL AREAS**

The following Schedule of Fees shall be collected by Company in all areas served in Nebraska.

<u>Type of Charge</u>	<u>Normal Working Hours</u>	<u>After Hours</u>
1. Turn on charge (connection)	\$ 26.00	\$100.00
2. Reconnect charge	\$ 30.00	\$100.00
3. NSF (returned check charge)	\$ 20.00	-
4. Residential meter move and reinstallation charge	\$450.00	-
5. Commercial meter move and reinstallation charge	T & M**	-
6. Meter test charge***	T & M	-
7. Temporary meter charge	\$100.00	-

\* In the event that a customer is disconnected and a reconnection of service at the same premises within a period of twelve (12) months, the Company may collect as a reconnect fee the sum of such customer charges as would have occurred during the period of disconnection, in addition to the reconnect fee.

\*\* Time and materials

\*\*\* Based on Company's determination of meter test history and billing inquiries

**NEBRASKA PUBLIC SERVICE COMMISSION**

**AQUILA INC. d/b/a  
AQUILA NETWORKS**

**Index No. 7**

**Section: GI**

**Original**

**Nebraska Operations**

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Nebraska Operations

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**PURCHASED GAS COST ADJUSTMENT (PGA)**

**I. TRADITIONAL SALES SERVICE**

**1. Purchased Cost of Gas:**

For purposes of calculating the monthly gas purchase price per therm (PGA), costs shall include, but not limited to, upstream pipeline capacity, interstate pipeline transition charges, PNG Pipeline (Rate Area II only), interstate pipeline or supplier refunds, wholesale commodity cost, pipeline commodity transportation fuel.

The monthly PGA factor per therm shall be shown on the bill as a separate line item.

**2. Computation:**

In addition to the base rates in effect for residential and commercial service, a charge per therm shall be added for the monthly average cost of purchased gas. The monthly charge per therm shall be calculated as follows:

$$PGA = \frac{G - R}{S}$$

Where:

PGA = Monthly estimated purchased gas cost factor per therm.

G = The annualized estimated delivered costs, including L&U, for natural gas purchased for resale, based on prices in effect for the current month.

R = The annualized amount of any refunds received from any gas suppliers or interstate pipeline.

S = Estimated annual firm sales volumes (therms).

**3. Annual Gas Cost Reconciliation:**

Annually, on or before October 1st, Aquila shall compute a "Gas Cost Reconciliation Factor" (GCR) for each Rate Area. The computation will compare the actual cost of gas purchased (including propane) with actual billed revenue arising from the components of retail rates, which are attributable to the cost of gas purchased. Each such comparison shall be for the year ended the immediately preceding August 31. The computation will specify a reconciliation rate adjustment to become effective November 1. This GCR adjustment will correct for any difference between gas cost incurred on behalf of the traditional sales customer and gas cost recovered for the reconciliation year ended August 31, and will correct for the previous year's reconciliation adjustment.



Nebraska Operations

Sheet 2 of 4

**PURCHASED GAS COST ADJUSTMENT (PGA)**  
**(Continued)**

$$\text{GCR} = \frac{P - BR + D}{S}$$

Where:

P = Actual annual cost of all gas cost components described in Paragraph I (1).

BR = Annual billed revenue for the reconciling period described in Paragraph I (3).

S = Estimated annual sales volumes (therms) for the PGA customers.

D = Annual bad debt component as allowed in Docket No. NG-004.1.

The GCR factor per therm shall be shown as a separate line item on the customer's monthly bill.

**II. ANNUAL PRICE SALES SERVICE (optional)**

**1. Annual Price Option Cost of Gas:**

The rate per therm for the Annual Price Option cost of gas shall remain constant during the twelve month period beginning November 1 and ending October 31 of the following year. The Annual Price Option (APO) shall be calculated on a per therm basis and shall include, but not limited to, upstream pipeline capacity, interstate pipeline transition charges, PNG Pipeline (Rate Area II only), interstate pipeline and supplier refunds, estimated wholesale commodity cost, pipeline commodity transportation, and fuel.

The APO shall be shown on the customer's bill as a separate line item labeled "PGA".

**2. Computation:**

In addition to the base rates in effect for residential and commercial service, a charge per therm shall be added for the monthly usage of natural gas. The APO charge per therm shall be calculated as follows:

$$\text{APO} = \frac{G - R}{S} \quad (\text{Shown as "PGA" on customer's bill})$$

Nebraska Operations

Sheet 3 of 4

**PURCHASED GAS COST ADJUSTMENT (PGA)**  
**(Continued)**

Where:

APO = Annual Price Option gas cost factor per therm.

G = The estimated annualized estimated delivered costs, including L&U for natural gas purchased for resale, based on price projections for the twelve month period.

R = The annualized amount of any refunds received from any gas suppliers or interstate pipeline.

S = Estimated annual firm sales volumes (therms).

3 Annual Gas Cost Reconciliation:

Annually, on or before October 1st, Aquila shall compute a "Gas Cost Reconciliation Factor" (GCR) for each Rate Area. The computation will compare the actual cost of gas purchased (including propane) with actual billed revenue arising from the components of retail rates, which are attributable to the cost of gas purchased. Each such comparison shall be for the year ended the immediately preceding August 31st. The computation will specify a reconciliation rate adjustment to become effective November 1st. This GCR adjustment will correct for any difference between gas cost incurred on behalf of the APO customers and gas cost recovered for the reconciliation year ended August 31st and will correct for the previous year's reconciliation adjustment.

Nebraska Operations

Sheet 4 of 4

**PURCHASED GAS COST ADJUSTMENT (PGA)**

(Continued)

$$\text{GCR} = \frac{\text{P} - \text{BR} + \text{D}}{\text{S}}$$

Where:

P = Actual annual cost of all gas cost components described in Paragraph II (1) above, purchased on behalf of APO customers.

BR = Annual billed revenue for the reconciling period described in Paragraph II (3).

D = Annual bad debt component as allowed in Docket No. NG-004.1.

S = Estimated annual sales volume (therms) for APO customers.

**III. GENERAL REMARKS**

**1. Lost and Unaccounted for Gas (L&U):**

Annually, on or before August 31, Aquila shall compute the L&U Factor, which measures system losses due to leaks, variances in meter calibration, friction losses, etc. The factor shall be computed by comparing total system inputs (receipts) to total system outputs (deliveries).

The factor, up to an allowable of 4% shall be applied to the estimated average annualized delivered gas cost for all sales customers and added to the estimated annualized cost to determine the monthly purchased cost of gas.

**2. Bad Debts Currently Collected in Rates:**

The bad debt component "D" is computed annually, and is the difference between the gas purchase component of actual Net Write-offs and the gas purchase component of bad debt expense currently being collected in rates. The gas purchases components of bad debt expense currently being collected in rates are: Rate Area One \$63,956; Rate Area Two \$382,472; Rate Area Three \$113,290.

**3. Remaining GCR Balance:**

Any GCR remaining balances at the end of a 12-month amortization period shall remain with customers electing the APO for the ensuing 12-month period. Similarly, any remaining balance in the GCR attributed to traditional sales customers shall remain with traditional sales customers. Pro rata adjustments to the GCR balance will be made to reflect the migration of customers between the APO Program and Traditional Sales Service.

**GAS COST ADJUSTMENT FACTORS**

As provided in the Gas Cost Adjustment Clause, the following adjustments(s) will be made to the applicable Traditional Sales Service rate schedules:

**RATE AREA I**

	<u>Current</u> <u>\$/Therm</u>	<u>Revised</u> <u>\$/Therm</u>	<u>Change</u> <u>\$/Therm</u>
Gas Cost Component	\$ 0.72429	\$ 0.60552	\$(0.11877)
Gas Cost Reconciliation	\$(0.01064)	\$(0.01064)	\$ 0.00000
Refunds	<u>\$ 0.00517</u>	<u>\$ 0.00517</u>	<u>\$ 0.00000</u>
Total GCA	\$ 0.71882	\$ 0.60005	\$(0.11877)

**RATE AREA II**

	<u>Current</u> <u>\$/Therm</u>	<u>Revised</u> <u>\$/Therm</u>	<u>Change</u> <u>\$/Therm</u>
Gas Cost Component	\$ 0.76482	\$ 0.54791	\$(0.21691)
Gas Cost Reconciliation	\$(0.04138)	\$(0.04138)	\$ 0.00000
Refunds	<u>\$(0.00118)</u>	<u>\$(0.00118)</u>	<u>\$ 0.00000</u>
Total GCA	\$ 0.72226	\$ 0.50535	\$(0.21691)

**RATE AREA III**

	<u>Current</u> <u>\$/Therm</u>	<u>Revised</u> <u>\$/Therm</u>	<u>Change</u> <u>\$/Therm</u>
Gas Cost Component	\$ 0.82164	\$ 0.63579	\$(0.18585)
Gas Cost Reconciliation	\$(0.00274)	\$(0.00274)	\$ 0.00000
Refunds	<u>\$ 0.00608</u>	<u>\$ 0.00608</u>	<u>\$ 0.00000</u>
Total GCA	\$ 0.82498	\$ 0.63913	\$(0.18585)

Nebraska Operations

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Nebraska Operations

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**RATE SCHEDULE  
TRADITIONAL SALES SERVICE**

1. **AVAILABILITY:** Service under this rate schedule is available only to residential customers located within the municipal boundaries and surrounding rural areas of Rate Areas I, II, and III.
2. **APPLICABILITY AND CHARACTER OF SERVICE:** This rate schedule shall apply to firm gas service for customers whose normal requirements do not exceed 500 Therms on a peak day and such service shall not be subject to interruption.

3. **RATE INFORMATION: RATE AREA I**

Pipelines: Northern Natural Gas Company  
Natural Gas Pipeline Company of America (NGPL)

	<u>Residential</u>	<u>Commercial</u>
Customer Charge:	\$11.00 per month	\$15.00 per month
Delivery Charge: (Base Rate)	\$.10967 per Therm	\$.12700 per Therm

Minimum monthly bill shall be the Customer Charge.

4. **RATE INFORMATION: RATE AREA II**

Pipelines: Northern Natural Gas Company  
Northern Gas Pipeline Company of America (NGPL)

	<u>Residential</u>	<u>Commercial</u>
Customer Charge:	\$11.00 per month	\$15.00 per month
Delivery Charge: (Base Rate)	\$.11070 per Therm	\$.15922 per Therm

Minimum monthly bill shall be the Customer Charge.



**RATE SCHEDULE  
TRADITIONAL SALES SERVICE  
(Continued)**

5. RATE INFORMATION: RATE AREA III

Pipelines: Northern Natural Gas Company  
Kinder Morgan, Inc.  
Natural Gas Pipeline Company of America (NGPL)

	<u>Residential</u>	<u>Commercial</u>
Customer Charge:	\$11.00 per month	\$15.00 per month
Delivery Charge:	\$.12177 per Therm	\$.15266 per Therm
(Base Rate)		

Minimum monthly bill shall be the Customer Charge.

6. ADJUSTMENT FOR PURCHASE OF GAS: The Commodity Charge (Cost of Gas Supply) is in addition to the Delivery Charge shown above. The Commodity Charge will be adjusted monthly for changes in the cost of gas, in accordance with Original Index No. 8.

7. DUE DATE: Bills will be due 20 days after Aquila's Mailing Date.

Late payment Penalty: One percent (1%) of balance not paid on or before due date.

8. FRANCHISE FEE: A franchise fee will be added to the monthly bill computed on this rate schedules when appropriate.

9. REGULATORY ASSESSMENT AND TAXES: Regulatory Assessment or other taxes, fees, or charges required by a governmental authority will be added to the monthly bill.

10. REMARKS: This Index (No. 13) consolidates Residential and Commercial Rate Schedules from three Rate Areas and replaces:

Original RS-301, one page  
Original RS-302, one page  
Original RS-303, one page  
Original RS-304, one page  
Original RS-305, three pages  
Original RS-306, three pages

Nebraska Operations

Sheet 1 of 2

**RATE SCHEDULE  
ANNUAL PRICE OPTION – PILOT PROGRAM**

1. **AVAILABILITY:** Service under this rate schedule is available only to any residential customer located in Aquila's service territory and who has elected this service for the twelve month period. Initial availability under this pilot program is limited to a prescribed number of residential customers in each of Aquila's Rate Areas on a first-come, first-served basis. The program will be limited to those customers receiving verification of their election from Aquila.
2. **APPLICABILITY AND CHARACTER OF SERVICE:** The program's twelve month period is from November 1 through October 31<sup>st</sup>. This rate schedule shall apply to firm gas service for customers whose normal requirements do not exceed 500 Therms on a peak day and such service shall not be subject to curtailment or interruption. The rate per therm for the delivered commodity cost of gas, including upstream pipeline cost, (PGA) shall be held constant during the twelve months beginning November 1 and ending October 31 of the following year.
3. **RATE INFORMATION:**  
Pipelines: Northern Natural Gas Company  
Northern Gas Pipeline Company of America (NGPL)  
Kinder Morgan, Inc.

**Residential**

Customer Charge: Per Index No. 13  
 Delivery Charge (Base Rate): Per Index No. 13  
 Cost of Gas Per Paragraph 4 below

Minimum monthly bill shall be the Customer Charge.

The Customer and Delivery Charges may change during a program year if approved by the Nebraska Public Service Commission ("NPSC") as a part of a separate rate application.

4. **COST OF GAS:** The cost of gas includes the PGA and an Annual Gas Cost Reconciliation (GCR) factor, and is in addition to the Customer and Delivery Charges shown above.

The PGA as defined in Index 8, Section II(2), will be shown as a separate component on the customer's bill and shall remain fixed for the twelve months beginning November 1 and ending October 31<sup>st</sup> of the following year.

The Gas Cost Reconciliation factor (GCR), as computed in Index No. 8, Section II(3), will also be shown as a separate component on the bill.

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**RATE SCHEDULE**  
**ANNUAL PRICE OPTION – PILOT PROGRAM**  
**(Continued)**

5. **DUE DATE:** Bills will be due 20 days after Aquila's Mailing Date.
6. **LATE PAYMENT PENALTY:** One percent (1%) of balance not paid on or before due date.
7. **FRANCHISE FEE:** A franchise fee will be added to the monthly bill computed on this rate schedules when appropriate.
8. **REGULATORY ASSESSMENT AND TAXES:** Regulatory Assessment or other taxes, fees, or charges required by a governmental authority will be added to the monthly bill.
9. **CUSTOMER EDUCATION SURCHARGE:** A surcharge for customer education, promotion, and other expenses associated with Aquila's Annual Price Option Program may be shown as a separate component on the bill. The Customer Education Surcharge shall be computed once annually, based on actual expense incurred, and collected from all residential customers.
10. **REMARKS:** The PGA shall be determined on or before May 1 of each year. The GCR will be determined on or before October 15<sup>th</sup> of each year as part of the Annual Gas Cost Reconciliation. Both the PGA and GCR will be effectuated on November 1<sup>st</sup> of each year.
11. **TERMINATION:** The Annual Price Option Program is a pilot program and may be cancelled at the sole discretion of the Company subject only to any further abandonment approval required by the Company from the Nebraska Public Service Commission. Any over (under) GCR balance attributed to this program at the time of termination will be added to the General Service GCR for the following year, or will be dissolved through any other mutually accepted mechanism adopted by the Company.

**RATE SCHEDULE  
ENERGY OPTIONS PROGRAM  
(Transportation)****1. AVAILABILITY:**

Available only to any Commercial or Small Industrial Firm customer in Nebraska with natural gas transportation requirements of less than 500 Therms per day for the delivery of gas owned by the customer from Aquila's Town Border Station(s) to a meter location on the customer's premise. Customer must sign a contract with a qualified Marketer participating in Aquila's Energy Options Program. An Energy Options Marketer's participation in Aquila's Energy Options Program is conditioned on the Marketer's compliance with the following requirements: 1) providing Aquila with a copy of its approved Competitive Natural Gas Provider (CNGP) certificate from the Public Service Commission and 2) entering into a "Marketer Agreement" setting forth non-discriminatory operating conditions and related requirements, rights, obligations and agreements, applied by Aquila without preference to any Marketer or affiliate. Aquila reserves the unilateral right to alter or amend or revise the requirements under this Energy Options tariff or its Marketer Agreement, subject to Commission approval.

Availability of local gas transportation services under the Energy Options Program is subject to system operational considerations. This Energy Options program is not available to Residential Customers of Aquila.

**2. APPLICABILITY AND CHARACTER OF SERVICE:**

This Rate Schedule shall apply to Commercial or Small Industrial Firm Customers whose natural gas transportation requirements are less than 500 Therms per day and such transportation service is not subject to interruption.

**3. RATE INFORMATION:**

Pipelines: Northern Natural Gas Company  
Kinder Morgan, Inc.  
Natural Gas Pipeline Company of America (NGPL)

Customer Charge:	\$15.00	per month
Transportation Charge:	Rate Area One	\$ .12700 per therm plus L&U Factor
	Rate Area Two	\$ .15922 per therm plus L&U Factor
	Rate Area Three	\$ .15266 per therm plus L&U Factor

Minimum monthly bill shall be the Customer Charge.

**RATE SCHEDULE**  
**ENERGY OPTIONS PROGRAM**  
**(Transportation Continued)**

Company's System Lost and Unaccounted for gas shall be computed in accordance with Original Index 8.

4. **ADJUSTMENT FOR PURCHASED GAS OR OTHER TRANSPORTATION SERVICES:**  
Customer is billed only for the Customer Charge, Transportation Charge, L&U Factor, and Marketer's commodity charge (where applicable); Marketer is billed for all other transportation services and charges.
5. **DUE DATE:**  
Bill will be due 20 days after Aquila's bill issuance date.  
Late Payment Penalty: One percent (1%) of balance not paid on or before the Due Date.
6. **FRANCHISE FEE:**  
A franchise fee will be added to the monthly bill in those Communities that impose a franchise fee.
7. **REGULATORY ASSESSEMENT AND TAXES:**  
Regulatory Assessment or other taxes, fees, or charges required by a governmental authority will be added to the monthly bill.
8. **TERMINATION:**  
Customer must advise Aquila 30 days in advance in writing when it wishes to terminate services under the Energy Options Program. Subject to Commission approval, this service may be terminated by Company.
9. **REMARKS:**

**RATE SCHEDULE  
ECONOMIC DEVELOPMENT RATE**

1. **AVAILABILITY:** This rate schedule is available to any new developing residential subdivision or new or expanding commercial customer that will increase the use of Aquila's existing infrastructure and resources, and provide strategic community growth or economic development.
2. **APPLICABILITY AND CHARACTER OF SERVICE:** This rate is applicable at Aquila's discretion to customers using natural gas as their primary energy source for space heating, water heating, or processing. In the alternative, to avail its service to customers in the targeted community, Aquila may, for documented reasons, adjust the factors in its feasibility study for the subdivision to reflect no less than the incremental costs of adding those customers.
3. **RATE INFORMATION:**

Pipelines	Northern Natural Gas Company Natural Gas Pipeline Company of America (NGPL) Kinder Morgan
Customer Charge	\$11.00 per month-Residential \$15.00 per month-Commercial
Delivery Charge (Base Rate)	Minimum: 50% of the current Rate Area Base Rate per Therm Maximum: The current Rate Area Base Rate per Therm

Minimum monthly bill shall be the Customer Charge.
4. **ADJUSTMENT FOR PURCHASED GAS:** The Commodity Charge (Cost of Gas Supply) is in addition to the Delivery Charge shown above. The Commodity Charge will be adjusted monthly for changes in the cost of gas, in accordance with Original Index No. 8.
5. **DUE DATE:** Bills will be due 20 days after Aquila's mailing date.  
**Late Payment Penalty:** One Percent (1%) of balance not paid on or before due date.
6. **FRANCHISE FEE:** A franchise fee, where appropriate, will be added to the monthly bill computed on this rate.
7. **REGULATORY ASSESSMENT AND TAXES:** Regulatory Assessments or other taxes, fees, or charges required by a governmental authority will be added to the monthly bill.
8. **TERMS:** Rates for customers on this tariff will be increased to 50% of the difference between the Base Rate and the Economic Development Rate at the end of the first year, and the remaining 50% or difference in the current base rate at the end of the second year. At no time should the Economic Development Rate stay in effect longer than two years

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**RATE SCHEDULE  
ECONOMIC DEVELOPMENT RATE  
(Continued)**

9. **RATE CASE PROCEDURE:** Any difference between Aquila's full Delivery Charge and the Economic Development Delivery Charge may be imputed as revenue for rate setting purposes in future rate proceedings such that no portion of any such difference will be collected from jurisdictional customers other than customers to whom the Economic Development Delivery Charge is offered.

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**Index No. 17**

**Section: RS**

**Original**

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Date Issued: May 27, 2005  
Issued By: Steven M. Jurek  
Vice President, Regulatory Affairs

Effective Date: June 1, 2005



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**NEBRASKA PUBLIC SERVICE COMMISSION**

**AQUILA INC. d/b/a  
AQUILA NETWORKS**

**Index No. 19**

**Section: RS**

**Original**

**Nebraska Operations**

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**Date Issued: May 27, 2005  
Issued By: Steven M. Jurek  
Vice President, Regulatory Affairs**

**Effective Date: June 1, 2005**

**GENERAL RULES AND REGULATIONS INDEX**

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2. Customer Definition	GRR	21	1 of 3
3. Meters & Regulators	GRR	21	2 of 3
4. Customer's Piping and Appliances	GRR	21	2 of 3
5. Inspection by Company	GRR	21	2 of 3
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<b>Customer Deposits</b>			
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<b>Billing and Payments</b>			
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A. Main and Service Lines Extensions	GRR	29	1 of 2
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**GENERAL RULES AND REGULATIONS INDEX**

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**GENERAL SERVICE TERMS AND CONDITIONS**

**1. Application for Service**

Upon approval of an application for service, the Company shall supply the customer with service at the rates and under the rules, terms, regulations and conditions applying to the particular service for which application is made and set forth in said application.

**2. Customer**

Customer shall mean any non-interruptible purchaser of natural gas within a municipality with requirements of less than one hundred thousand cubic feet of natural gas per day. A single application for service cannot be made to apply to different locations or to cover more than one meter at the same address or location to be used by the same customer.

The definition of commercial and residential customers should be as follows:

**Residential:**

Customers taking natural gas for residential use (space heating, cooling, water heating, clothes drying, etc.) through an individual meter in a single family dwelling or building, or for residential use in an individual flat or apartment, or for residential use in not over four households served by a single meter in a multiple family dwelling. Residential premises used regularly for professional or business purposes (doctor's office, small store, etc.) are considered as residential where the residential natural gas usage is half or more of the total gas usage. This classification applies to any non-interruptible residential purchaser of natural gas within a municipality with requirements of less than one hundred thousand cubic feet of natural gas per day.

**Commercial:**

Customers primarily engaged in wholesale or retail trade, agriculture, forestry, fisheries, transportation, communications, sanitary services, finance, insurance, real estate, personal services (clubs, hotels, rooming houses, five or more households served under a single meter, auto repair, etc.) government and customers whose usage does not directly qualify for residential service. The size of the customer or volume of natural gas used is not a criteria for determining commercial designation. The nature of the customer's primary business or economic activity at the location served determines the customer classification. This classification applies to any non-interruptible commercial purchaser

**GENERAL SERVICE TERMS AND CONDITIONS**

of natural gas within a municipality with requirements of less than one hundred thousand cubic feet of natural gas per day.

**3. Meters and Regulators**

The Company shall furnish meters and meter connections at no extra cost to customer. Meters and meter connections are to be set and maintained at customer's property line; however, in some cases it will be more feasible to set meters on customer's property, this to be decided by the Company. The meter and meter connections are the property of the Company, and may be removed when the service is terminated for any cause. All yard lines, interior piping, valves, fittings, and appliances on the premises of the customer shall be furnished by the customer and are subject to the approval of the Company and the municipal authorities which have jurisdiction.

**4. Customer's Piping and Appliances**

Customer shall install and maintain the gas piping, fixtures, and appliances on his premises in accordance with the ordinances of the city in which customer is located or, in the absence of such regulations, same shall be installed in accordance with recognized standards; and the Company may suspend service to customers if it shall have given written notice of defective or unsafe conditions liable to impair its service or to result in injury or damage to any person, or the property of any person or persons, provided, however, that the Company assumes no responsibility whatsoever for the inspection and/or repair of defects in customer's piping, fixtures, or appliances in or on customer's premises and will not be responsible for any injury, loss or damage resulting from such defects or improper installation.

**5. Inspection by Company**

Customer shall permit employees and inspectors of the Company, when properly identified, to enter their premises at reasonable hours to examine the piping, appliances, and other equipment relating to the Company's service and to ascertain connected loads and make necessary tests.

**6. Liability**

The Company shall not be liable for damage to the customer or to third persons resulting from the use of the service on the customer's premises or from the presence of the equipment on the customer's premises.

**GENERAL SERVICE TERMS AND CONDITIONS**

**7. Interruption of Service**

If the service shall be interrupted at any time, the Company shall not be held liable for such interruptions. In such case, the Company shall make every possible effort to restore the service at the earliest moment. Interruptions in service shall not, however, relieve the customer from any charges for service actually rendered.

It is further agreed that the Company shall incur no liability for any failure to furnish gas due to fire, the action of the elements, burnouts, broken pipes, accidents, strikes, riots, war, failure of gas supply or to any cause beyond the control of the Company, or to acts other than the Company's own willful neglect.

**8. Service Limitation - Not for Resale**

The service furnished is for the sole use of the customer who shall not sell any of such service to any other person or permit any other person to use the same without written consent to the Company. For the violation of this condition, the Company may, after forty-eight hours written notice, remove its meters and discontinue its service.

## CUSTOMER DEPOSITS

### Deposit Policy

#### 1. Residential:

The Company will require a cash deposit on residential customers that demonstrate credit risk. Demonstrated credit risk is defined as having more than one late payment in the last twelve months.

The deposit amount should be equal to the one month's highest energy bill in the previous twelve-month period. The customer may pay deposits in installments not to exceed three months. Customer deposits shall accumulate interest to be calculated annually and paid at an annual rate of simple interest of 5%.

Deposits for residential customers will be reviewed annually and refunds made to customers whose account is current and no more than one payment within the past twelve months was made after the due date.

#### 2. Commercial:

The Company may require a cash deposit on commercial customers that demonstrate credit risk. Demonstrated credit risk is defined as having more than one late payment in the last twelve months.

The deposit amount should be equal to one and one-half times the highest energy bill in the previous twelve-month period. Customer deposits shall accumulate interest to be calculated annually and paid at an annual rate of simple interest of 5%.

Deposits for commercial customers will be reviewed annually and refunds made to customers whose account is current and no more than one payment within the past twelve months was made after the due date.

#### 3. Hardship Deposit Waiver or Suspension:

From time to time and upon no less than one-day notice to the Commission, Company may waive or suspend the Customer deposit requirement for a reasonable period of time during periods of Customer extreme hardship in order to avoid disconnection of Customer's natural gas service or to promote additional Customer reconnections.

The waiver or suspension of the Customer deposit requirement for hardship includes, but is not limited to, deposits required soon after the Cold Weather period expires. The waiver or suspension shall apply to all new customer deposits required during the waiver or suspension period. The Customer deposit waiver or suspension may be limited by Company to either its Residential or Commercial class of customers.



## BILLING AND PAYMENT

### 1. Bills, Duplicate Bills, Failure to Receive Bills

All bills periodically rendered to customers for metered services shall be based on actual or estimated readings at local pressure base and shall show in addition to the net dollar amount due, the date on which the current reading was taken, the meter readings at the beginning and end of the period for which the bill is rendered, the date when payment is due, the total consumption expressed in cubic feet or other unit of service recorded by the meter read, and whether the bill is actual or estimated.

Bills may be rendered based on bimonthly meter readings whereby the customer's meter will actually be read ever other month. In those months where the meter is not actually read, the customer's bill will be computer or manually estimated.

Upon request, the Company shall give the customer the approximate date on which he should receive his bill each month; and if a bill is not received or lost, the Company shall, upon request, issue a duplicate. Failure to receive a bill shall not relieve a customer from complying with the applicable rate schedule and these general service terms and conditions.

### 2. Due Dates of Bills

Bills, including charges for gas service, deposits and other charges contained in this tariff are due and payable within twenty days after mailing. An unpaid bill will not be considered past due until twenty days after mailing. The due date shall be clearly stated on the face of the bill.

### 3. Streamline and CheckLine™ Plans

#### A. Streamline Plan

The Company shall offer to all residential and commercial firm customers in good standing an "Streamline Plan" billing program, which allows the customer to pay a uniform amount for eleven (11) months with the twelfth (12) month (July) being the month to balance the account. Such customers may enroll in the program during any month of the year. Participation in this program would be at the Customer's option and request, and all normal billing and consumption information would be shown on the billing statements in addition to the monthly Streamline payment amount.

#### B. CheckLine™ Plan

CheckLine™ is available to all customers with a bank or credit union account. Customer authorizes monthly energy billing to be charged to their checking or savings

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AQUILA INC. d/b/a  
AQUILA NETWORKS

**Index No. 23**

Section: GRR

Original

Replacing: All of GST & C Filed in Dkt. No. NG-0007

Effective: August 19, 2003

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**BILLING AND PAYMENT**

3. **Streamline and CheckLine™ Plans (Continued)**

account electronically. Written authorization is required to initiate, and cancellation can be done verbally or in writing. The Company may modify or cancel this program without further approval.

## DISCONNECTIONS

### 1. Energy Diversion

If any device is found installed on customer's premises which prevents the meter from accurately recording consumption, notice may be issued to the customer giving ten (10) days in which to remove such device and related appurtenances. Company has the right to bill customer for any damage to company property and estimated amounts of gas consumed, but not properly registered.

As an alternative to the above, the Company may elect to remove or correct any energy-diverting device in which case any temporary interruption of service for the purpose of repair or remedy shall not constitute discontinuance, and thus shall not require advance notice.

However, written notice must be left at the premises advising the customer of the nature of the violation, the steps Company is taking to correct it, and Company's right to bill for any damage to company property and estimated consumption not properly registered.

In and by itself, discovery that a meter has been tampered with shall not be cause for discontinuance. Instead, Company shall mail or deliver written notice advising customer of the discovery and the steps that the Company will take to determine what amount of gas has been diverted and that Company may bill for any damage to company property and amounts of gas consumed but not billed.

Notice of disconnection is not required when Company:

- A. Determines that immediate shut off is imperative for health or safety reasons.
- B. Is ordered by governmental authority having jurisdiction due to alleged customer violations of ordinances, statutes or regulations covering utility service.
- C. Determines that service has been discontinued, in accordance with these rules, is discovered restored by someone other than the Company, and the original cause for the discontinuance has not been cured.

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**LINE EXTENSION**1. **Extensions**A. **Main and Service Lines**

Company will extend gas mains and install service lines for new full-service residential and commercial customers or for developers or builder(s) on behalf of new customers, based on a project economic feasibility study. The study generally compares anticipated margins from the new customer(s) with the estimated construction and operating costs to serve these customers.

Full-service customers utilize a natural gas furnace for primary space heating and natural gas water heating. Company will invest capital needed to serve each new full-service customer at no less than lower of the actual cost or the Company's statewide average investment in net plant per customer.

Partial-service customers who request gas service for less than full service (i.e. fireplace, pool heater, cooking), may be charged an additional amount based on Company's investment that includes the costs for required gas mains, services and meters. The additional amount to be charged to Partial-service customers may vary depending upon the level of revenue to be received by Company from the estimated natural gas usage compared to the actual costs to furnish natural gas service to those Partial-service customers.

If a property developer, builder, and/or customer is required to contribute to the investment to extend natural gas service, then that contribution in aid of construction (CIAC) shall be paid in advance by the property developer, builder(s), and/or new customers(s).

Unless agreed otherwise by Company, such contributions are non-refundable. However, under limited circumstances, where future growth is reasonably certain, a portion of the contribution applicable to main extensions may be refundable based on actual growth of new customers realized. Property developer, builder(s), and/or customers who make a refundable contribution to the main or service line extension, may be entitled to a pro rata share of refund of those advances. Any such refund will be computed as subsequent customer connections are completed based on feasibility studies. Any refundable contribution arrangement agreed to by Company shall be evidenced in writing at the time of the initial prior contribution and shall not be for a term beyond five years.



**LINE EXTENSION**

**B. Project Feasibility**

Project feasibility shall be determined by using current operating and construction costs, projected revenues and any related income tax impacts of the specific project. The projected rate of return will be determined by the Company. Any projected return deficiency will require an offsetting contribution to assure the project will not cause existing customers to subsidize new users. The project feasibility study will determine whether the investment to serve can be incurred without additional charges to the customer, subject to the statewide average investment per customer referred to above.

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**AQUILA INC. d/b/a  
AQUILA NETWORKS**

**Index No. 30  
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**Date Issued: May 27, 2005  
Issued By: Steven M. Jurek  
Vice President, Regulatory Affairs**

**Effective Date: June 1, 2005**

Nebraska Operations

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## COLD WEATHER RULE

### 1. Availability

The provisions of the Cold Weather Rule (CWR) allow for special payment and disconnection procedures for any residential customer with unpaid arrearage to retain or restore utility service throughout the cold weather period, which extends from November 1st through March 31st.

### 2. No Disconnection When Temperature is Below 30 Degrees

The Company shall not disconnect a customer's service between November 1st and March 31st when the local national weather service office forecasts the temperature will drop below 30 degrees within the following 48-hour period unless:

- (1) It is at the customer's request;
- (2) The service is abandoned;
- (3) A dangerous condition exists on the customer's premises;
- (4) The customer violates any rule of the Company which adversely affects the safety of the customer or other persons, or the physical integrity of the Company's delivery system;
- (5) The customer causes or permits unauthorized interference with or diversion of use of (meter bypass) utility service situation or delivered on or about the customer's premises.

In any of these situations, the Company may disconnect service immediately. Service disconnected under (3), (4), or (5) above must be restored as soon as possible after the physical problems as defined therein have been corrected.

In order to keep from getting disconnected when the temperature is 30 degrees or above, or to get reconnected regardless of temperature, a customer must comply with the provisions of the Cold Weather Rule Tariff Requirements.

## **COLD WEATHER RULE**

### **3. Cold Weather Rule Tariff Requirements**

To qualify for the Cold Weather Rule Payment Agreement, the Customer shall:

- (1) Inform the Company of the customer's inability to pay the bill in full;
- (2) Give sufficient information to allow the Company to make a payment agreement;
- (3) Make full payment of the arrearage plus the bill for consumption during the most recent billing period for which service was provided divided by twelve (12) or less periods;
- (4) Apply for federal, state, local or other funds which the customer is eligible;
- (5) Enter a level payment plan for current and future consumption with arrears paid in equal installments over no more than the next eleven (11) months;
- (6) Not illegally divert (bypass meter) utility service;
- (7) Not default on a payment plan.

### **4. Illegal Diversion of Service**

If the Company documents that the customer has diverted (meter bypass) service and has benefited from such diversion, the customer shall be deemed to be in breach of the Cold Weather Rule Tariff Requirements. Such breach may be cured by payment by the customer for the value of the diverted service. The value of such use shall be estimated based on historic use of such customer or such residence.

### **5. Defaulted Payment Arrangement**

Any customer who has defaulted in the most recent cold weather period and remains in default has breached the requirements of the Cold Weather Rule Tariff Requirements. To cure such default, the customer shall make full payment as set forth in the Cold Weather Rule Tariff Requirements; pay any disconnect or reconnect charges incurred as a result of any default and complies with the provisions of the Cold Weather Rule Tariff Requirements.

The customer will be encouraged to renegotiate CWR payments if they receive utility or other lump sum assistance.

**COLD WEATHER RULE**

**6. Company Responsibility**

The Company shall notify each active residential customer of the Cold Weather Rule (CWR) once a year at least 30 days prior to the CWR period.

The Company shall in its 1) telephone contact(s), or 2) the personal contact, or 3) the disconnect message on the door, also provide the following information:

- (1) Inform the customer of the existence of the Cold Weather Rule and that the customer has an additional 30 days until disconnection, and that the customer can avoid disconnection by complying with the Cold Weather Rule Tariff Requirements;
- (2) Inform the customer of, or provide a list of, the Cold Weather Rule Tariff Requirements;
- (3) Inform the customer of, or provide a list of, organizations where funds are available to pay utility bills;
- (4) Inform the customer of, or provide a list of, other pay arrangements for which the customer might qualify.

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AQUILA NETWORKS**Index No. 1**

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Dated: June 1, 2005

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Line Extension	GRR	29
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Date Issued: November 15, 2006

Effective Date: June 1, 2007

Issued By: Steven M. Jurek

Vice President, Regulatory Affairs

**GENERAL INDEX**

<u>Section</u>	<u>Section Designation</u>	<u>Index Number</u>
Intentionally Left Blank	GRR	31
Cold Weather Rule	GRR	32
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Intentionally Left Blank	GRR	38
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**SUPERCEDED INDEX**

**NEW**

**REPLACES**

<u>Index</u>	<u>Section</u>	<u>Sheet</u>	<u>Description/Title</u>	<u>Index</u>	<u>Section</u>	<u>Sheet</u>	<u>Effective Date</u>
1	Index	1 of 2	General Index 2 <sup>nd</sup> Revised		—First Revised	1 of 2	June 6, 2005
1	Index	2 of 2	General Index 1 <sup>st</sup> Revised		—Original	2 of 2	
2	Index	1 of 2	Superceded Index 3 <sup>rd</sup> Rev.		—Second Revised	1 of 2	Dec. 1, 2005
2	Index	2 of 2	Superceded Index 3 <sup>rd</sup> Rev.		—Second Revised	2 of 2	Dec. 1, 2005
3	GI	1 of 1	List of Communities		Similar list shown on:		
3	GI	1 of 1	List of Communities		Original RS-301 & 302	1 of 1	Feb. 1, 2004
3	GI	1 of 1	List of Communities		Original RS-303 & 304	1 of 1	Feb. 1, 2004
3	GI	1 of 1	List of Communities		Original RS-305 & 306	1, 2, 3 of 3	Feb. 1, 2004
4	GI	1 of 3	Rate Area I (map)		Index No. Original Schedule		May 31, 2003
4	GI	2 of 3	Rate Area II (map)		Index No. Original Schedule		May 31, 2003
4	GI	3 of 3	Rate Area III (map)		Index No. Original Schedule		May 31, 2003
5	GI	1 of 1	Definitions		--New--		
6	GI	1 of 1	Service Fee Schedule		Index No. Original Schedule		May 31, 2003
8	GCA	1 of 4	Purchased Gas Adjustment 3 <sup>rd</sup> Revised		Second Revised	1 of 4	Nov. 1, 2006
8	GCA	2 of 4	Purchased Gas Adjustment 2 <sup>nd</sup> Revised		First Revised	2 of 4	Nov. 1, 2006
8	GCA	3 of 4	Purchased Gas Adjustment 3 <sup>rd</sup> Revised		Second Revised	3 of 4	Nov. 1, 2006
8	GCA	4 of 4	Purchased Gas Adjustment 3 <sup>rd</sup> Revised		Second Revised	4 of 4	Nov. 1, 2006
9	GCA	1 of 1	Gas Cost Adjustment Factors 17 <sup>th</sup> Revised		16 <sup>th</sup> Revised	1 of 1	Oct. 1, 2006
13	RS	1 of 2	Traditional Sales Service –TSS 1 <sup>st</sup> Revised		Original	1 of 2	Nov. 1, 2006
13	RS	2 of 2	Traditional Sales Service-TSS 1 <sup>st</sup> Revised		Original	2 of 2	Nov. 1, 2006



**NEBRASKA PUBLIC SERVICE COMMISSION**

AQUILA INC. d/b/a

AQUILA NETWORKS

Index No. 2

Section: Index

Third Revised Sheet 2 of 2

Replacing: Second Revised Sheet 2 of 2

Dated: December 1, 2005

Nebraska Operations

Sheet 2 of 2

**SUPERCEDED INDEX****NEW****REPLACES**

<u>Index</u>	<u>Section</u>	<u>Sheet</u>	<u>Description/Title</u>	<u>Index</u>	<u>Section</u>	<u>Sheet</u>	<u>Effective Date</u>
14	RS	1 of 2	Annual Price Option-APO Second Revised		First Revised	1 of 2	Nov. 1, 2006
14	RS	2 of 2	Annual Price Option-APO First Revised		Original	2 of 2	Nov. 1, 2006
15	RS	1 of 2	Energy Options Program First Revised		Original RS-307	1 of 2	Nov. 1, 2006
15	RS	2 of 2	Energy Options Program First Revised		Original RS-307	2 of 2	Nov. 1, 2006
16	RS	1 of 2	Economic Development Rate		--NEW--	1 of 2	July 1, 2005
16	RS	1 of 2	Economic Development Rate		--NEW--	2 of 2	July 1, 2005
17	RS	1 of 1	Energy Efficiency Rider - EER		--NEW--		
20	GRR	1 of 2	General Rules & Reg. Index		(Note 1)		
20	GRR	2 of 2	General Rules & Reg. Index		(Note 1)		
21	GRR	1 of 3	General Service Terms and Conditions		(Note 1)		
21	GRR	2 of 3	General Service Terms and Conditions		(Note 1)		
21	GRR	3 of 3	General Service Terms and Conditions		(Note 1)		
22	GRR	1 of 1	Customer Deposits 2 <sup>nd</sup> Rev.		1 <sup>st</sup> Revised	1 of 1	Apr. 1, 2006
23	GRR	1 of 2	Billing and Payments 1 <sup>st</sup> Rev		Original	1 of 2	June 1, 2005
23	GRR	2 of 2	Billing and Payments 1 <sup>st</sup> Rev.		Original	2 of 2	June 1, 2005
24	GRR	1 of 1	Disconnection Policy 1st Rev.		Original	1 of 1	June 1, 2005
29	GRR	1 of 1	Line Extension Policy		(Note 1)		
32	GRR	1 of 3	Cold Weather Rule 1 <sup>st</sup> Rev.		Original	1 of 3	June 1, 2005
32	GRR	2 of 3	Cold Weather Rule 1st Rev.		Original	2 of 3	June 1, 2005
32	GRR	3 of 3	Cold Weather Rule 1 <sup>st</sup> Rev.		Original	3 of 3	June 1, 2005

Note 1: The entire General Rules and Regulation Section has been replaced.

Date Issued:

Issued By: Steven M. Jurek

Vice President, Regulatory Affairs

Effective Date: June 1, 2007

Nebraska Operations

Sheet 1 of 4

**PURCHASED GAS COST ADJUSTMENT (PGA)****I. TRADITIONAL SALES SERVICE****1. Purchased Cost of Gas:**

For purposes of calculating the monthly gas purchase price per therm (PGA), costs shall include, but not limited to, upstream pipeline capacity, interstate pipeline transition charges, PNG Pipeline (Rate Area II only), interstate pipeline or supplier refunds, wholesale commodity cost, pipeline commodity transportation fuel.

The monthly PGA factor per therm shall be shown on the bill as a separate line item.

**2. Computation:**

In addition to the base rates in effect for residential and commercial service, a charge per therm shall be added for the monthly average cost of purchased gas. The monthly charge per therm shall be calculated as follows:

$$PGA = \frac{G - R}{S}$$

Where:

PGA = Monthly estimated purchased gas cost factor per therm.

G = The annualized estimated delivered costs, including L&U, for natural gas purchased for resale, based on prices in effect for the current month.

R = The annualized amount of any refunds received from any gas suppliers or interstate pipeline.

S = Estimated annual firm sales volumes (therms).

**3. Annual Gas Cost Reconciliation:**

Annually, on or before October 1st, Aquila shall compute a "Gas Cost Reconciliation Factor" (GCR) for each Rate Area. The computation will compare the actual cost of gas purchased (including propane) with actual billed revenue arising from the components of retail rates, which are attributable to the cost of gas purchased. Each such comparison shall be for the year ended the immediately preceding June 30. The computation will specify a reconciliation rate adjustment to become effective November 1. This GCR adjustment will correct for any difference between gas cost incurred on behalf of the traditional sales customer and gas cost recovered for the reconciliation year ended June 30, and will correct for the previous year's reconciliation adjustment.

**PURCHASED GAS COST ADJUSTMENT (PGA)**  
**(Continued)**

$$GCR = \frac{P - BR + D}{S}$$

Where:

P = Actual annual cost of all gas cost components described in Paragraph I (1).

BR = Annual billed revenue for the reconciling period described in Paragraph I (3).

S = Estimated annual sales volumes (therms) for the PGA customers.

D = Annual bad debt component as allowed in Docket No. NG-004.1.

The GCR factor per therm shall be shown as a separate line item on the customer's monthly bill.

**II. ANNUAL PRICE SALES SERVICE (optional)**

**1. Annual Price Option Cost of Gas:**

The rate per therm for the Annual Price Option cost of gas shall remain constant during the twelve month period beginning November 1 and ending October 31 of the following year. The Annual Price Option (APO) shall be calculated on a per therm basis and shall include, but not limited to, upstream pipeline capacity, interstate pipeline transition charges, PNG Pipeline (Rate Area II only), interstate pipeline and supplier refunds, estimated wholesale commodity cost, pipeline commodity transportation, and fuel.

The APO shall be shown on the customer's bill as a separate line item labeled "PGA".

**2. Computation:**

In addition to the base rates in effect for residential and commercial service, a charge per therm shall be added for the monthly usage of natural gas. The APO charge per therm shall be calculated as follows:

$$APO = \frac{G - R}{S} \quad (\text{Shown as "PGA" on customer's bill})$$

Nebraska Operations

Sheet 3 of 4

**PURCHASED GAS COST ADJUSTMENT (PGA)**  
**(Continued)**

Where:

APO = Annual Price Option gas cost factor per therm.

G = The estimated annualized estimated delivered costs, including L&U for natural gas purchased for resale, based on price projections for the twelve month period.

R = The annualized amount of any refunds received from any gas suppliers or interstate pipeline.

S = Estimated annual firm sales volumes (therms).

**3      Annual Gas Cost Reconciliation:**

Annually, on or before October 1st, Aquila shall compute a "Gas Cost Reconciliation Factor" (GCR) for each Rate Area. The computation will compare the actual cost of gas purchased (including propane) with actual billed revenue arising from the components of retail rates, which are attributable to the cost of gas purchased. Each such comparison shall be for the year ended the immediately preceding June 30th. The computation will specify a reconciliation rate adjustment to become effective November 1st. This GCR adjustment will correct for any difference between gas cost incurred on behalf of the APO customers and gas cost recovered for the reconciliation year ended June 30th and will correct for the previous year's reconciliation adjustment.

$$GCR = \frac{P - BR + D}{S}$$

Where:

P = Actual annual cost of all gas cost components described in Paragraph II (1) above, purchased on behalf of APO customers.

BR = Annual billed revenue for the reconciling period described in Paragraph II (3).

D = Annual bad debt component as allowed in Docket No. NG-004.1.

S = Estimated annual sales volume (therms) for APO customers.

Nebraska Operations

Sheet 4 of 4

**PURCHASED GAS COST ADJUSTMENT (PGA)**  
**(Continued)**

**III. GENERAL REMARKS**

**1. Bad Debts Currently Collected in Rates:**

The bad debt component "D" is computed annually, and is the difference between the gas purchase component of actual Net Write-offs and the gas purchase component collected in the PGA, plus or minus any over or under-collection of previous years write-offs

**2. Remaining GCR Balance:**

Any GCR remaining balances at the end of a 12-month amortization period shall remain with customers electing the APO for the ensuing 12-month period. Similarly, any remaining balance in the GCR attributed to traditional sales customers shall remain with traditional sales customers. Pro rata adjustments to the GCR balance will be made to reflect the migration of customers between the APO Program and Traditional Sales Service.

Nebraska Operations

Sheet 1 of 1

**PURCHASED GAS ADJUSTMENT FACTORS (PGA)**

As provided in the Gas Cost Adjustment Clause, the following adjustments(s) will be made to the applicable Traditional Sales Service rate schedules:

**RATE AREA I**

	<u>Current</u> <u>\$/Therm</u>	<u>Revised</u> <u>\$/Therm</u>	<u>Change</u> <u>\$/Therm</u>
Gas Cost Component	\$ 0.72429	\$ 0.60552	\$(0.11877)
Gas Cost Reconciliation (GCR)	\$(0.01064)	\$(0.01064)	\$ 0.00000
Refunds	<u>\$ 0.00517</u>	<u>\$ 0.00517</u>	<u>\$ 0.00000</u>
Total PGA	\$ 0.71882	\$ 0.60005	\$(0.11877)

**RATE AREA II**

	<u>Current</u> <u>\$/Therm</u>	<u>Revised</u> <u>\$/Therm</u>	<u>Change</u> <u>\$/Therm</u>
Gas Cost Component	\$ 0.76482	\$ 0.54791	\$(0.21691)
Gas Cost Reconciliation (GCR)	\$(0.04138)	\$(0.04138)	\$ 0.00000
Refunds	<u>\$(0.00118)</u>	<u>\$(0.00118)</u>	<u>\$ 0.00000</u>
Total PGA	\$ 0.72226	\$ 0.50535	\$(0.21691)

**RATE AREA III**

	<u>Current</u> <u>\$/Therm</u>	<u>Revised</u> <u>\$/Therm</u>	<u>Change</u> <u>\$/Therm</u>
Gas Cost Component	\$ 0.82164	\$ 0.63579	\$(0.18585)
Gas Cost Reconciliation (GCR)	\$(0.00274)	\$(0.00274)	\$ 0.00000
Refunds	<u>\$ 0.00608</u>	<u>\$ 0.00608</u>	<u>\$ 0.00000</u>
Total PGA	\$ 0.82498	\$ 0.63913	\$(0.18585)

Nebraska Operations

Sheet 1 of 2

**RATE SCHEDULE - TSS  
TRADITIONAL SALES SERVICE**

1. **AVAILABILITY:** Service under this rate schedule is available only to residential customers located within the municipal boundaries and surrounding rural areas of Rate Areas I, II, and III.
2. **APPLICABILITY AND CHARACTER OF SERVICE:** This rate schedule shall apply to firm gas service for customers whose normal requirements do not exceed 500 Therms on a peak day and such service shall not be subject to interruption.
3. **RATE INFORMATION: RATE AREA I, RATE AREA II, & RATE AREA III**

Pipelines: Northern Natural Gas Company  
Natural Gas Pipeline Company of America (NGPL)  
Kinder Morgan, Inc (Rate Area III only)

	<u>Residential</u>	<u>Commercial</u>
Customer Charge:	\$16.00 per month	\$20.00 per month
Delivery Charge: (Base Rate)	\$.14868 per Therm	\$.15803 per Therm

Minimum monthly bill shall be the Customer Charge.

Nebraska Operations

Sheet 2 of 2

**RATE SCHEDULE - TSS**  
**TRADITIONAL SALES SERVICE**  
**(Continued)**

4. **ADJUSTMENT FOR PURCHASE OF GAS:** The Commodity Charge (Cost of Gas Supply) is in addition to the Delivery Charge shown above. The Commodity Charge will be adjusted monthly for changes in the cost of gas, in accordance with Original Index No. 8.
5. **ENERGY EFFICIENCY RIDER:** The Energy Efficiency Rider, in accordance with First Revised Index No. 17, is in addition to the Delivery Charge shown above.
6. **DUE DATE:** Bills will be due 20 days after Aquila's Mailing Date.  
  
Late payment Penalty: One percent (1%) of balance not paid on or before due date.
7. **FRANCHISE FEE:** A franchise fee will be added to the monthly bill computed on this rate schedules when appropriate.
8. **REGULATORY ASSESSMENT AND TAXES:** Regulatory Assessment or other taxes, fees, or charges required by a governmental authority will be added to the monthly bill.
9. **REMARKS:** Changes rates and adds the Energy Efficiency Rider.

Date Issued:  
Issued By: Steven M. Jurek  
Vice President, Regulatory Affairs

Effective Date: June 1, 2007



Nebraska Operations

Sheet 1 of 2

**RATE SCHEDULE - APO  
ANNUAL PRICE OPTION - PILOT PROGRAM**

1. **AVAILABILITY:** Service under this rate schedule is available only to any residential customer located in Aquila's service territory and who has elected this service for the twelve month period. Initial availability under this pilot program is limited to a prescribed number of residential customers in each of Aquila's Rate Areas on a first-come, first-served basis. The program will be limited to those customers receiving verification of their election from Aquila.
2. **APPLICABILITY AND CHARACTER OF SERVICE:** The program's twelve month period is from November 1 through October 31<sup>st</sup>. This rate schedule shall apply to firm gas service for customers whose normal requirements do not exceed 500 Therms on a peak day and such service shall not be subject to curtailment or interruption. The rate per therm for the delivered commodity cost of gas, including upstream pipeline cost, (PGA) shall be held constant during the twelve months beginning November 1 and ending October 31 of the following year.
3. **RATE INFORMATION:**  
Pipelines: Northern Natural Gas Company  
Northern Gas Pipeline Company of America (NGPL)  
Kinder Morgan, Inc.

Residential

Customer Charge:	Per Index No. 13
Delivery Charge (Base Rate):	Per Index No. 13
Cost of Gas	Per Paragraph 4 below

Minimum monthly bill shall be the Customer Charge.

The Customer and Delivery Charges may change during a program year if approved by the Nebraska Public Service Commission ("NPSC") as a part of a separate rate application.

4. **COST OF GAS:** The cost of gas includes the PGA and an Annual Gas Cost Reconciliation (GCR) factor, and is in addition to the Customer and Delivery Charges shown above.

The PGA as defined in Index 8, Section II(2), will be shown as a separate component on the customer's bill and shall remain fixed for the twelve months beginning November 1 and ending October 31<sup>st</sup> of the following year.

The Gas Cost Reconciliation factor (GCR), as computed in Index No. 8, Section II(3), will also be shown as a separate component on the bill.

Nebraska Operations

Sheet 2 of 2

**RATE SCHEDULE - APO  
ANNUAL PRICE OPTION – PILOT PROGRAM  
(Continued)**

5. **ENERGY EFFICIENCY RIDER:** The Energy Efficiency Rider, in accordance with First Revised Index No. 17, is in addition to the Delivery Charge.
6. **DUE DATE:** Bills will be due 20 days after Aquila's Mailing Date.
7. **LATE PAYMENT PENALTY:** One percent (1%) of balance not paid on or before due date.
8. **FRANCHISE FEE:** A franchise fee will be added to the monthly bill computed on this rate schedules when appropriate.
9. **REGULATORY ASSESSMENT AND TAXES:** Regulatory Assessment or other taxes, fees, or charges required by a governmental authority will be added to the monthly bill.
10. **CUSTOMER EDUCATION SURCHARGE:** A surcharge for customer education, promotion, and other expenses associated with Aquila's Annual Price Option Program may be shown as a separate component on the bill. The Customer Education Surcharge shall be computed once annually, based on actual expense incurred, and collected from all residential customers.
11. **TIMING:** The PGA shall be determined on or before May 1 of each year. The GCR will be determined on or before October 15<sup>th</sup> of each year as part of the Annual Gas Cost Reconciliation. Both the PGA and GCR will be effectuated on November 1<sup>st</sup> of each year.
12. **TERMINATION:** The Annual Price Option Program is a pilot program and may be cancelled at the sole discretion of the Company subject only to any further abandonment approval required by the Company from the Nebraska Public Service Commission. Any over (under) GCR balance attributed to this program at the time of termination will be added to the General Service GCR for the following year, or will be dissolved through any other mutually accepted mechanism adopted by the Company.
13. **REMARKS:** Adds the Energy Efficiency Rider.

Effective: February 1, 2004

Nebraska Operations

Sheet 1 of 2

**RATE SCHEDULE - EO  
ENERGY OPTIONS PROGRAM  
(Transportation)**

**1. AVAILABILITY:**

Available only to any Commercial or Small Industrial Firm customer in Nebraska with natural gas transportation requirements of less than 500 Therms per day for the delivery of gas owned by the customer from Aquila's Town Border Station(s) to a meter location on the customer's premise. Customer must sign a contract with a qualified Marketer participating in Aquila's Energy Options Program. An Energy Options Marketer's participation in Aquila's Energy Options Program is conditioned on the Marketer's compliance with the following requirements: 1) providing Aquila with a copy of its approved Competitive Natural Gas Provider (CNGP) certificate from the Public Service Commission and 2) entering into a "Marketer Agreement" setting forth non-discriminatory operating conditions and related requirements, rights, obligations and agreements, applied by Aquila without preference to any Marketer or affiliate. Aquila reserves the unilateral right to alter or amend or revise the requirements under this Energy Options tariff or its Marketer Agreement, subject to Commission approval.

Availability of local gas transportation services under the Energy Options Program is subject to system operational considerations. This Energy Options program is not available to Residential Customers of Aquila.

**2. APPLICABILITY AND CHARACTER OF SERVICE:**

This Rate Schedule shall apply to Commercial or Small Industrial Firm Customers whose natural gas transportation requirements are less than 500 Therms per day and such transportation service is not subject to interruption.

**3. RATE INFORMATION:**

Pipelines: Northern Natural Gas Company  
Kinder Morgan, Inc.  
Natural Gas Pipeline Company of America (NGPL)

Customer Charge:	\$15.00	per month
Transportation Charge:	Rate Area One \$12700	per therm plus L&U Factor
	Rate Area Two \$15922	per therm plus L&U Factor
	Rate Area Three \$15266	per therm plus L&U Factor

Minimum monthly bill shall be the Customer Charge.

Effective: February 1, 2004

Nebraska Operations

Sheet 2 of 2

**RATE SCHEDULE**  
**ENERGY OPTIONS PROGRAM**  
**(Transportation Continued)**

Company's System Lost and Unaccounted for gas shall be computed in accordance with Original Index 8.

4. **ADJUSTMENT FOR PURCHASED GAS OR OTHER TRANSPORTATION SERVICES:**  
Customer is billed only for the Customer Charge, Transportation Charge, L&U Factor, and Marketer's commodity charge (where applicable); Marketer is billed for all other transportation services and charges.
5. **ENERGY EFFICIENCY RIDER:** The Energy Efficiency Rider, in accordance with First Revised Index No. 17, is in addition to the Transportation Charge.
6. **DUE DATE:**  
Bill will be due 20 days after Aquila's bill issuance date.  
Late Payment Penalty: One percent (1%) of balance not paid on or before the Due Date.
7. **FRANCHISE FEE:**  
A franchise fee will be added to the monthly bill in those Communities that impose a franchise fee.
8. **REGULATORY ASSESSEMENT AND TAXES:**  
Regulatory Assessment or other taxes, fees, or charges required by a governmental authority will be added to the monthly bill.
9. **TERMINATION:**  
Customer must advise Aquila 30 days in advance in writing when it wishes to terminate services under the Energy Options Program. Subject to Commission approval, this service may be terminated by Company.
10. **REMARKS:** Adds the Energy Efficiency Rider.

**ENERGY EFFICIENCY RIDER (EER)**

1. **DESCRIPTION:** The Energy Efficiency Rider provides funding for the Company's demand side programs. These programs offer rebates for energy efficient appliances and equipment for residential customers and weatherization services and emergency replacements for high efficiency furnace heating and water heating equipment to low-income customers. The low-income services of this program are distributed by local Community Action Agencies and are administered by Aquila Networks in coordination with the Salvation Army.
2. **AVAILABILITY:** The program is available to any residential customer served on Aquila Networks rate schedules TSS and APO.. The low-income services are available to those customers that also qualify as "low income" under the current Low Income Home Energy Assistance Program (LIHEAP) criteria.
3. **FUNDING:** Funding of the demand side programs shall be through an Energy Efficiency Rider (EER) added to Aquila Networks rate schedules TSS, APO and EO. The EER shall be collected on a volumetric basis and computed as follows:

$$\text{EER} = \frac{\text{EAB} + \text{PYR}}{\text{AT}}, \text{ where}$$

**EAB** = Estimated Annual Budget for the approved energy efficiency project, which shall include the annual estimated cost of the program components (parts and labor), administration, advertising/promotion, and evaluation.

**PYR** = Prior Year Reconciliation of total EER collected versus the actual expenditures.

**AT** = Annual Throughput, which is the projected annual sales volume.

**NEBRASKA PUBLIC SERVICE COMMISSION**

AQUILA INC. d/b/a

AQUILA NETWORKS

**Index No. 20**

Section: GRR

First Revised Sheet 1 of 2

Replacing: Original Sheet 1 of 2

Dated: May 1, 2005

Nebraska Operations

Sheet 1 of 2

<u>Description</u>	<u>Section Designation</u>	<u>Index Number</u>	<u>Sheet Number</u>
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3. Meters & Regulators	GRR	21	2 of 3
4. Customer's Piping and Appliances	GRR	21	2 of 3
5. Inspection by Company	GRR	21	2 of 3
6. Liability	GRR	21	2 of 3
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8. Service Limitation – Not for Resale	GRR	21	3 of 3
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<b>Billing and Payments</b>			
1. Bills, Duplicate Bills, Failure to Receive Bills	GRR	23	1 of 2
2. Due Dates of Bills	GRR	23	1 of 2
3. Streamline and CheckLine™ Plans	GRR	23	1 of 2
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<b>Cold Weather Rule</b>			
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3. Cold Weather Rule Tariff Requirements	GRR	32	1 of 3
4. Illegal Diversion of Services	GRR	32	2 of 3
5. Defaulted Payment Agreement	GRR	32	2 of 3
6. Company Responsibility	GRR	32	2 of 3
7. Low Income Residential Customers	GRR	32	3 of 3

Date Issued:

Issued By: Steven M. Jurek

Vice President, Regulatory Affairs

Effective Date: June 1, 2007

## CUSTOMER DEPOSITS

### Deposit Policy

1. **Residential:**

The Company may require a cash deposit on residential customers who demonstrate credit risk. Demonstrated credit risk is defined as having one disconnection of service during the last year of service, or three or more disconnection notices during the last year of service, or has an undisputed unpaid debt with the company.

If a customer is unable to pay the full amount of the deposit, at the discretion of the Company, the customer may pay the deposit in installments, or provide a guarantor who has satisfactory credit.

2. **Commercial:**

The Company may require a cash deposit on commercial customers that demonstrate credit risk. Demonstrated credit risk is defined as having more than one late payment in the last twelve months or having no prior credit history with the company.

3. **Deposit Amount and Refunds:**

The deposit amount shall be equal to one-sixth of the estimated annual bill or an existing deposit may be increased to that level.

Customer deposits shall accumulate interest to be calculated annually and paid at an annual rate of simple interest of 5%.

Deposits for all customers will be reviewed annually and refunds made to customers whose account is current and with no more than one late payment within the past twelve months.

4. **Hardship Deposit Waiver or Suspension:**

From time to time and upon no less than one-day notice to the Commission, Company may waive or suspend the Customer deposit requirement for a reasonable period of time during periods of Customer extreme hardship in order to avoid disconnection of Customer's natural gas service or to promote additional Customer reconnections.

The waiver or suspension of the Customer deposit requirement for hardship includes, but is not limited to, deposits required soon after the Cold Weather period expires. The waiver or suspension shall apply to all new customer deposits required during the waiver or suspension period. The Customer deposit waiver or suspension may be limited by Company to either its Residential or Commercial class of customers.

## BILLING AND PAYMENT

### 1. Bills, Duplicate Bills, Failure to Receive Bills

All bills periodically rendered to customers for metered services shall be based on actual or estimated readings at local pressure base and shall show in addition to the net dollar amount due, the date on which the current reading was taken, the meter readings at the beginning and end of the period for which the bill is rendered, the date when payment is due, the total consumption expressed in cubic feet or other unit of service recorded by the meter read, and whether the bill is actual or estimated.

Bills may be rendered based on bimonthly meter readings whereby the customer's meter will actually be read every other month. In those months where the meter is not actually read, the customer's bill will be computer or manually estimated.

Upon request, the Company shall give the customer the approximate date on which he should receive his bill each month; and if a bill is not received or lost, the Company shall, upon request, issue a duplicate. Failure to receive a bill shall not relieve a customer from complying with the applicable rate schedule and these general service terms and conditions.

### 2. Due Dates of Bills

Bills, including charges for gas service, deposits and other charges contained in this tariff are due and payable within twenty days after mailing. An unpaid bill will not be considered past due until twenty days after mailing. The due date shall be clearly stated on the face of the bill.

### 3. Streamline and CheckLine™ Plans

#### A. Streamline Plan

The Company shall offer to all residential customers a "Streamline Plan" billing program, which allows the customer to pay a uniform amount per month. Customers may enroll in the program during any month of the year. The company may recalculate the monthly Streamline amount at intervals throughout the year, if needed, and communicate the changed monthly amount to the customer. Participation in this program would be at the Customer's option and request, and all normal billing and consumption information would be shown on the billing statements in addition to the monthly Streamline payment amount.

Customers who are removed from the Streamline billing plan for non payment may not be allowed back onto the plan until their account is current.

Customers may be removed from the Streamline billing plan at anytime at their request.



Nebraska Operations

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**BILLING AND PAYMENT**

**B. CheckLine™ Plan**

CheckLine™ is available to all customers with a bank or credit union account. Customer authorizes monthly energy billing to be charged to their checking or savings account electronically. Written authorization is required to initiate, and cancellation can be done verbally or in writing. The Company may modify or cancel this program without further approval.

## **DISCONNECTIONS**

### **1. Energy Diversion – Theft of Services**

If any device is found installed on customer's premises which prevents the meter from accurately recording consumption or bypasses the meter, such device and gas meter shall be removed for safety reasons without prior notice to the customer.

However, written notice must be left at the premises advising the customer of the nature of the violation, the steps the Company is taking to correct it, and the Company's right to bill for any damage to company property and estimated consumption not properly registered.

The company will calculate the amount of gas consumed, but not properly registered, and bill the customer for the estimated gas, the company labor and material cost for the damaged company property.

Prior notice of disconnection is not required when Company:

- A. Determines that immediate shut off is imperative for health or safety reasons.
- B. Is ordered by governmental authority having jurisdiction due to alleged customer violations of ordinances, statutes or regulations covering utility service.
- C. Determines that service has been discontinued, in accordance with these rules, is discovered restored by someone other than the Company, and the original cause for the discontinuance has not been cured. The Company may remove the meter and leave notice for the customer.

## **COLD WEATHER RULE**

### **1. Availability**

The provisions of the Cold Weather Rule (CWR) allow for special payment and disconnection procedures for any residential customer with unpaid arrearage to retain or restore utility service throughout the cold weather period, which extends from November 1st through March 31st.

### **2. Residential Winter Disconnection**

The Company shall not disconnect a residential customer's service between November 1st and March 31st without adding to the time for payment of a bill an additional 30 days before disconnection. A customer may avoid disconnection if they meet the requirements of the Cold Weather Rule.

### **3. Cold Weather Rule Tariff Requirements**

To avoid disconnection or have service restored under the Cold Weather Rule, the Customer shall:

- (1) Inform the Company of the customer's inability to pay the bill in full.
- (2) Give sufficient information to allow the Company to arrange a payment agreement.
- (3) Make an initial payment of one-fourth (1/4) of the total utility arrearage, plus the full amount of the current month's utility bill, plus any required reconnection fee or deposit.
- (4) Apply for federal, state, local or other funds which the customer is eligible.
- (5) Enter into a 3-month level payment plan covering the remaining utility balance plus the current monthly bills.
- (6) Not illegally divert utility service.
- (7) Keep all pay agreements as arranged.

**COLD WEATHER RULE**

**4. Illegal Diversion of Service**

If the Company documents that the customer has diverted service and has benefited from such diversion, the diversion will be treated as "Theft of Service" under Index No. 24, and the customer shall be deemed to be in breach of the Cold Weather Rule Tariff Requirements. Such breach may be cured by payment by the customer for the amount billed for the estimated gas consumed and all other expenses incurred by the Company in accordance with Index No. 24.

**5. Defaulted Payment Arrangement**

Any customer who has defaulted in the most recent cold weather period and remains in default has breached the requirements of the Cold Weather Rule. To avoid disconnection or to restore service, the customer may be offered another payment agreement at the Company's discretion. If the customer defaults on the payment plan, the Company may disconnect service after providing the requisite notice.

The customer will be encouraged to renegotiate CWR payments if they receive utility or other lump sum assistance.

**6. Company Responsibility**

The Company shall notify each active residential customer of the Cold Weather Rule (CWR) once a year at least 30 days prior to the CWR period.

The Company shall in its 1) telephone contact(s), or 2) the personal contact, or 3) the disconnect message on the door, also provide the following information:

- (1) Inform the customer of the existence of the Cold Weather Rule and that the customer has an additional 30 days until disconnection, and that the customer can avoid disconnection by complying with the Cold Weather Rule Tariff Requirements;
- (2) Inform the customer of, or provide a list of, the Cold Weather Rule Tariff Requirements;
- (3) Inform the customer of, or provide a list of, organizations where funds are available to pay utility bills;
- (4) Inform the customer of, or provide a list of, other pay agreements for which the customer might qualify.

**COLD WEATHER RULE**

**7. Low Income Residential Customers (LIHEAP)**

If a residential customer has been certified as eligible for low income home energy assistance and has communicated such eligibility to the Company and has provided acceptable documentation to the Company within a reasonable time, then no disconnection shall occur during the cold weather period.

**NEBRASKA PUBLIC SERVICE COMMISSION**

AQUILA INC. d/b/a

AQUILA NETWORKS

**Index No. 1**

Section: Index

First ~~Second~~ Revised Sheet 1 of 2Replacing: Original ~~First Revised~~ Sheet 1 of 2

Dated: June 1, 2005

Nebraska Operations

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**GENERAL INDEX**

<u>Section</u>	<u>Section Designation</u>	<u>Index Number</u>
General Index	Index	1
Superseded Index	Index	2
General Information		
List of communities served	GI	3
Service territory	GI	4
Definitions	GI	5
Service Fee Schedule	GI	6
Intentionally Left Blank	GI	7
<u>Purchase Gas Cost Adjustment (GCAPGA)</u>	GCA	8
Monthly GCA-PGA Factor(s)	GCA	9
Intentionally Left Blank	GCA	10
Intentionally Left Blank	GCA	11
Intentionally Left Blank	GCA	12
Rate Schedule Index	RS	12
Traditional Sales Service	RS	13
Fixed Price Option	RS	14
Energy Options Program	RS	15
Economic Development Rate	RS	16
<del>Intentionally Left Blank</del> <u>Energy Efficiency Rider</u>	RS	17
Intentionally Left Blank	RS	18
Intentionally Left Blank	RS	19
General Rules and Regulations Index	GRR	20
General Service Terms and Conditions	GRR	21
Customer Deposit	GRR	22
Billing and Payment	GRR	23
Disconnections	GRR	24
Intentionally Left Blank	GRR	25
Intentionally Left Blank	GRR	26
Intentionally Left Blank	GRR	27
Intentionally Left Blank	GRR	28
Line Extension	GRR	29
Intentionally Left Blank	GRR	30

Date Issued: June 9, 2005 November 15, 2006Effective Date: June 1, 2005 June 1, 2007

Issued By: Steven M. Jurek

**GENERAL INDEX**

<u>Section</u>	<u>Section Designation</u>	<u>Index Number</u>
Intentionally Left Blank	GRR	31
Cold Weather Rule	GRR	32
Intentionally Left Blank	GRR	33
Intentionally Left Blank	GRR	34
Intentionally Left Blank	GRR	35
Intentionally Left Blank	GRR	36
Intentionally Left Blank	GRR	37
Intentionally Left Blank	GRR	38
Intentionally Left Blank	GRR	39

**NEBRASKA PUBLIC SERVICE COMMISSION**

AQUILA INC. d/b/a

AQUILA NETWORKS

Index No. 2

Section: Index

Second-Third Revised Sheet 1 of 2

Replacing: First-Second Revised Sheet 1 of 2

Dated: December 1, 2005

Nebraska Operations

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**SUPERCEDED INDEX**
**NEW**
**REPLACES**

<u>Index</u>	<u>Section</u>	<u>Sheet</u>	<u>Description/Title</u>	<u>Index</u>	<u>Section</u>	<u>Sheet</u>	<u>Effective Date</u>
1	Index	1 of 2	General Index 2 <sup>nd</sup> Revised		<del>New</del> <del>First</del> Revised	1 of 2	June 6, 2005
1	Index	2 of 2	General Index 1 <sup>st</sup> Revised		<del>New</del> <del>Original</del>	2 of 2	
2	Index	1 of 2	Superceded Index 3 <sup>rd</sup> Rev.		<del>New</del> <del>Second</del> Revised	1 of 2	Dec. 1, 2005
2	Index	2 of 2	Superceded Index 3 <sup>rd</sup> Rev.		<del>New</del> <del>Second</del> Revised	2 of 2	Dec. 1, 2005
3	GI	1 of 1	List of Communities		Similar list shown on:		
3	GI	1 of 1	List of Communities		Original RS-301 & 302	1 of 1	Feb. 1, 2004
3	GI	1 of 1	List of Communities		Original RS-303 & 304	1 of 1	Feb. 1, 2004
3	GI	1 of 1	List of Communities		Original RS-305 & 306	1, 2, 3 of 3	Feb. 1, 2004
4	GI	1 of 3	Rate Area I (map)		Index No. Original Schedule		May 31, 2003
4	GI	2 of 3	Rate Area II (map)		Index No. Original Schedule		May 31, 2003
4	GI	3 of 3	Rate Area III (map)		Index No. Original Schedule		May 31, 2003
5	GI	1 of 1	Definitions		<del>New</del>		
6	GI	1 of 1	Service Fee Schedule		Index No. Original Schedule		May 31, 2003
8	GCA	1 of 24	Purchased Gas Cost Adjustment 3 <sup>rd</sup> Rev.		Original Index No. 8 Second Revised	1 of 24	Dec. 1, 2004 Nov. 1, 2006
8	GCA	2 of 24	Purchased Gas Cost Adjustment 2 <sup>nd</sup> Rev.		Original Index No. 8 First Revised	2 of 24	Dec. 1, 2004 Nov. 1, 2006
8	GCA	3 of 4	Purchased Gas Adjustment 3 <sup>rd</sup> Rev.		Second Revised	3 of 4	Nov. 1, 2006
8	GCA	4 of 4	Purchased Gas Adjustment 3 <sup>rd</sup> Rev.		Second Revised	4 of 4	Nov. 1, 2006
9	GCA	1 of 1	Gas Cost Adjustment Factors 17 <sup>th</sup> Revised		Original GCA Index 916 <sup>th</sup> Revised	1 of 1	June 1, 2005 Oct. 1, 2006
13	RS	1, 21 of 2	Traditional Sales Service - TSS 1 <sup>st</sup> Revised		Original RS-301 & 302	1 of 12	Feb. 1, 2004 Nov. 1, 2006
13	RS	2 of 2	Traditional Sales Service - TSS 1 <sup>st</sup> Revised		Original RS-303 & 304	1 of 12 of 2	Feb. 1, 2004 Nov. 1, 2006
13	RS	2 of 2	Traditional Sales Service		Original RS-305 & 306	1, 2, 3 of 3	Feb. 1, 2004



**NEBRASKA PUBLIC SERVICE COMMISSION**

AQUILA INC. d/b/a

AQUILA NETWORKS

Index No. 2

Section: Index

Second-Third Revised Sheet 2 of 2

Replacing: First-Second Revised Sheet 2 of 2

Dated: December 1, 2005

Nebraska Operations

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**SUPERCEDED INDEX****NEW****REPLACES**

<u>Index</u>	<u>Section</u>	<u>Sheet</u>	<u>Description/Title</u>	<u>Index</u>	<u>Section</u>	<u>Sheet</u>	<u>Effective Date</u>
14	RS	1 of 42	<del>Fixed Annual Price Option-APO 2<sup>nd</sup> Revised</del>		<del>Original RS-308</del>	1 of 42	Feb. 1, 2004 Nov. 1, 2006
14	RS	2 of 2	Annual Price Option-APO 1 <sup>st</sup> Revised		Original	2 of 2	Nov. 1, 2006
15	RS	1 of 2	Energy Options Program 1 <sup>st</sup> Revised		Original RS-307	1 of 2	Feb. 1, 2004 Nov. 1, 2006
15	RS	2 of 2	Energy Options Program 1 <sup>st</sup> Revised		Original RS-307	2 of 2	Feb. 1, 2004 Nov. 1, 2006
16	RS	1 of 2	Economic Development Rate		--NEW--	1 of 2	July 1, 2005
16	RS	1 of 2	Economic Development Rate		--NEW--	2 of 2	July 1, 2005
17	RS	1 of 1	Energy Efficiency Rider - EER		--NEW--		
20	GRR	1 of 2	General Rules & Reg. Index		(Note 1)		
20	GRR	2 of 2	General Rules & Reg. Index		(Note 1)		
21	GRR	1 of 3	General Service Terms and Conditions		(Note 1)		
21	GRR	2 of 3	General Service Terms and Conditions		(Note 1)		
21	GRR	3 of 3	General Service Terms and Conditions		(Note 1)		
22	GRR	1 of 1	Customer Deposits 2 <sup>nd</sup> Rev.		(Note 1) 1 <sup>st</sup> Revised	1 of 1	Apr. 1, 2006
23	GRR	1 of 2	Billing and Payments 1 <sup>st</sup> Rev.		(Note 1) Original	1 of 2	June 1, 2005
23	GRR	2 of 2	Billing and Payments 1 <sup>st</sup> Rev.		(Note 1) Original	2 of 2	June 1, 2005
24	GRR	1 of 1	Disconnection Policy 1 <sup>st</sup> Rev.		(Note 1) Original	1 of 1	June 1, 2005
29	GRR	1 of 1	Line Extension Policy		(Note 1)		
32	GRR	1 of 3	Cold Weather Rule 1 <sup>st</sup> Rev.		(Note 1) Original	1 of 3	June 1, 2005
32	GRR	2 of 3	Cold Weather Rule 1 <sup>st</sup> Rev.		Original (Note 1)	2 of 3	June 1, 2005
32	GRR	3 of 3	Cold Weather Rule 1 <sup>st</sup> Rev.		Original (Note 1)	3 of 3	June 1, 2005

Note 1: The entire General Rules and Regulation Section has been replaced.

Nebraska Operations

Sheet 1 of 4

**PURCHASED GAS COST ADJUSTMENT (PGA)****I. TRADITIONAL SALES SERVICE****1. Purchased Cost of Gas:**

For purposes of calculating the monthly gas purchase price per therm (PGA), costs shall include, but not limited to, upstream pipeline capacity, interstate pipeline transition charges, PNG Pipeline (Rate Area II only), interstate pipeline or supplier refunds, wholesale commodity cost, pipeline commodity transportation fuel.

The monthly PGA factor per therm shall be shown on the bill as a separate line item.

**2. Computation:**

In addition to the base rates in effect for residential and commercial service, a charge per therm shall be added for the monthly average cost of purchased gas. The monthly charge per therm shall be calculated as follows:

$$PGA = \frac{G - R}{S}$$

Where:

PGA = Monthly estimated purchased gas cost factor per therm.

G = The annualized estimated delivered costs, including L&U, for natural gas purchased for resale, based on prices in effect for the current month.

R = The annualized amount of any refunds received from any gas suppliers or interstate pipeline.

S = Estimated annual firm sales volumes (therms).

**3. Annual Gas Cost Reconciliation:**

Annually, on or before October 1st, Aquila shall compute a "Gas Cost Reconciliation Factor" (GCR) for each Rate Area. The computation will compare the actual cost of gas purchased (including propane) with actual billed revenue arising from the components of retail rates, which are attributable to the cost of gas purchased. Each such comparison shall be for the year ended the immediately preceding August 31/June 30. The computation will specify a reconciliation rate adjustment to become effective November 1. This GCR adjustment will correct for any difference between gas cost incurred on behalf of the traditional sales customer and gas cost recovered for the reconciliation year ended August 31/June 30, and will correct for the previous year's reconciliation adjustment.

Date Issued: May 1, 2006/November 15, 2006

Effective Date: November 1, 2006/June 1, 2007

Issued By: Steven M. Jurek  
Vice President, Regulatory Affairs

**PURCHASED GAS COST ADJUSTMENT (PGA)**  
**(Continued)**

$$GCR = \frac{P - BR + D}{S}$$

Where:

P = Actual annual cost of all gas cost components described in Paragraph I (1) .

BR = Annual billed revenue for the reconciling period described in Paragraph I (3).

S = Estimated annual sales volumes (therms) for the PGA customers.

D = Annual bad debt component as allowed in Docket No. NG-004.1.

The GCR factor per therm shall be shown as a separate line item on the customer's monthly bill.

**II. ANNUAL PRICE SALES SERVICE (optional)**

**1. Annual Price Option Cost of Gas:**

The rate per therm for the Annual Price Option cost of gas shall remain constant during the twelve month period beginning November 1 and ending October 31 of the following year. The Annual Price Option (APO) shall be calculated on a per therm basis and shall include, but not limited to, upstream pipeline capacity, interstate pipeline transition charges, PNG Pipeline (Rate Area II only), interstate pipeline and supplier refunds, estimated wholesale commodity cost, pipeline commodity transportation, and fuel.

The APO shall be shown on the customer's bill as a separate line item labeled "PGA".

**2. Computation:**

In addition to the base rates in effect for residential and commercial service, a charge per therm shall be added for the monthly usage of natural gas. The APO charge per therm shall be calculated as follows:

$$APO = \frac{G - R}{S} \quad (\text{Shown as "PGA" on customer's bill})$$

Nebraska Operations

Sheet 3 of 4

**PURCHASED GAS COST ADJUSTMENT (PGA)**  
**(Continued)**

Where:

APO = Annual Price Option gas cost factor per therm.

G = The estimated annualized estimated delivered costs, including L&U for natural gas purchased for resale, based on price projections for the twelve month period.

R = The annualized amount of any refunds received from any gas suppliers or interstate pipeline.

S = Estimated annual firm sales volumes (therms).

3 Annual Gas Cost Reconciliation:

Annually, on or before October 1st, Aquila shall compute a "Gas Cost Reconciliation Factor" (GCR) for each Rate Area. The computation will compare the actual cost of gas purchased (including propane) with actual billed revenue arising from the components of retail rates, which are attributable to the cost of gas purchased. Each such comparison shall be for the year ended the immediately preceding ~~August 31st~~June 30th. The computation will specify a reconciliation rate adjustment to become effective November 1st. This GCR adjustment will correct for any difference between gas cost incurred on behalf of the APO customers and gas cost recovered for the reconciliation year ended ~~August 31st~~June 30th and will correct for the previous year's reconciliation adjustment.

Date Issued: ~~May 1, 2006~~November 15, 2006

Effective Date: ~~November 1, 2006~~June 1, 2007

Issued By: Steven M. Jurek  
Vice President, Regulatory Affairs

Nebraska Operations

Sheet 4 of 4

**PURCHASED GAS COST ADJUSTMENT (PGA)**

(Continued)

$$\text{GCR} = \frac{\text{P} - \text{BR} + \text{D}}{\text{S}}$$

Where:

P = Actual annual cost of all gas cost components described in Paragraph II (1) above, purchased on behalf of APO customers.

BR = Annual billed revenue for the reconciling period described in Paragraph II (3).

D = Annual bad debt component as allowed in Docket No. NG-004.1.

S = Estimated annual sales volume (therms) for APO customers.

**III. GENERAL REMARKS**1. ~~Lost and Unaccounted for Gas (L&U):~~

~~Annually, on or before August 31, Aquila shall compute the L&U Factor, which measures system losses due to leaks, variances in meter calibration, friction losses, etc. The factor shall be computed by comparing total system inputs (receipts) to total system outputs (deliveries).~~

~~The factor, up to an allowable of 4% shall be applied to the estimated average annualized delivered gas cost for all sales customers and added to the estimated annualized cost to determine the monthly purchased cost of gas.~~

21. ~~Bad Debts Currently Collected in Rates:~~

~~The bad debt component "D" is computed annually, and is the difference between the gas purchase component of actual Net Write-offs and the gas purchase component of bad debt expense currently being collected in rates. The gas purchases components of bad debt expense currently being collected in rates are: Rate Area One \$63,956; Rate Area Two \$382,472; Rate Area Three \$113,290. collected in the PGA, plus or minus any over or under-collection of previous years write-offs~~

23. ~~Remaining GCR Balance:~~

~~Any GCR remaining balances at the end of a 12-month amortization period shall remain with customers electing the APO for the ensuing 12-month period. Similarly, any remaining balance in the GCR attributed to traditional sales customers shall remain with traditional sales customers. Pro rata adjustments to the GCR balance will be made to reflect the migration of customers between the APO Program and Traditional Sales Service.~~

Date Issued: ~~May 1, 2006~~November 15, 2006Effective Date: ~~November 1, 2006~~June 1, 2007

Issued By: Steven M. Jurek

Vice President, Regulatory Affairs

**NEBRASKA PUBLIC SERVICE COMMISSION**AQUILA INC. d/b/a  
AQUILA NETWORKS

Index No. 9

Section: GCA

Replacing: ~~16<sup>th</sup> Revision~~ 17<sup>th</sup> Revised  
~~15<sup>th</sup> Revision~~ 16<sup>th</sup> Revised

Dated: October 1, 2006

Nebraska Operations

Sheet 1 of 1

**PURCHASED GAS COST-ADJUSTMENT FACTORS (PGA)**

As provided in the Gas Cost Adjustment Clause, the following adjustments(s) will be made to the applicable Traditional Sales Service rate schedules:

**RATE AREA I**

	Current \$/Therm	Revised \$/Therm	Change \$/Therm
Gas Cost Component	\$ 0.72429	\$ 0.60552	\$(0.11877)
Gas Cost Reconciliation (GCR)	\$(0.01064)	\$(0.01064)	\$ 0.00000
Refunds	\$ 0.00517	\$ 0.00517	\$ 0.00000
Total GCAPGA	\$ 0.71882	\$ 0.60005	\$(0.11877)

**RATE AREA II**

	Current \$/Therm	Revised \$/Therm	Change \$/Therm
Gas Cost Component	\$ 0.76482	\$ 0.54791	\$(0.21691)
Gas Cost Reconciliation (GCR)	\$(0.04138)	\$(0.04138)	\$ 0.00000
Refunds	\$(0.00118)	\$(0.00118)	\$ 0.00000
Total GCAPGA	\$ 0.72226	\$ 0.50535	\$(0.21691)

**RATE AREA III**

	Current \$/Therm	Revised \$/Therm	Change \$/Therm
Gas Cost Component	\$ 0.82164	\$ 0.63579	\$(0.18585)
Gas Cost Reconciliation (GCR)	\$(0.00274)	\$(0.00274)	\$ 0.00000
Refunds	\$ 0.00608	\$ 0.00608	\$ 0.00000
Total GCAPGA	\$ 0.82498	\$ 0.63913	\$(0.18585)

AQUILA INC. d/b/a

Section: RS

AQUILA NETWORKS

First Revised: Sheet 1 of 2

AQUILA NETWORKS

Replacing: See "Remarks" Original Sheet 1 of 2

Effective: February 1, 2004 May 1, 2005

Nebraska Operations

Sheet 1 of 2

**RATE SCHEDULE - TSS  
TRADITIONAL SALES SERVICE**

1. **AVAILABILITY:** Service under this rate schedule is available only to residential customers located within the municipal boundaries and surrounding rural areas of Rate Areas I, II, and III.
2. **APPLICABILITY AND CHARACTER OF SERVICE:** This rate schedule shall apply to firm gas service for customers whose normal requirements do not exceed 500 Therms on a peak day and such service shall not be subject to interruption.
3. **RATE INFORMATION: RATE AREA I, RATE AREA II, & RATE AREA III**

Pipelines: Northern Natural Gas Company  
Natural Gas Pipeline Company of America (NGPL)  
Kinder Morgan, Inc (Rate Area III only)

	<u>Residential</u>	<u>Commercial</u>
Customer Charge:	\$1611.00 per month	\$1520.00 per month
Delivery Charge:	\$10967-14868 per Therm	\$12700-15803 per Therm
(Base Rate)		

Minimum monthly bill shall be the Customer Charge.

**4. RATE INFORMATION: RATE AREA II**

Pipelines: Northern Natural Gas Company  
Northern Gas Pipeline Company of America (NGPL)

	<u>Residential</u>	<u>Commercial</u>
Customer Charge:	\$11.00 per month	\$15.00 per month
Delivery Charge:	\$11070 per Therm	\$15922 per Therm
(Base Rate)		

Minimum monthly bill shall be the Customer Charge.

Nebraska Operations

Sheet 2 of 2

**RATE SCHEDULE - TSS**  
**TRADITIONAL SALES SERVICE**  
**(Continued)**

5. RATE INFORMATION: RATE AREA IIIPipelines: Northern Natural Gas CompanyKinder Morgan, Inc.Natural Gas Pipeline Company of America (NGPL)ResidentialCommercialCustomer Charge: \$11.00 per month \$15.00 per monthDelivery Charge: \$.12177 per Therm \$.15266 per Therm

(Base Rate)

Minimum monthly bill shall be the Customer Charge.

64. ADJUSTMENT FOR PURCHASE OF GAS: The Commodity Charge (Cost of Gas Supply) is in addition to the Delivery Charge shown above. The Commodity Charge will be adjusted monthly for changes in the cost of gas, in accordance with Original Index No. 8.

75. ENERGY EFFICIENCY RIDER: The Energy Efficiency Rider, in accordance with First Revised Index No. 17, is in addition to the Delivery Charge shown above.

786. DUE DATE: Bills will be due 20 days after Aquila's Mailing Date.

Late payment Penalty: One percent (1%) of balance not paid on or before due date.

897. FRANCHISE FEE: A franchise fee will be added to the monthly bill computed on this rate schedules when appropriate.

9108. REGULATORY ASSESSMENT AND TAXES: Regulatory Assessment or other taxes, fees, or charges required by a governmental authority will be added to the monthly bill.

10.9. REMARKS: Adds the Energy Efficiency Rider. This Index (No. 13) consolidates Residential and Commercial Rate Schedules from three Rate Areas and replaces:

Original RS 301, one pageOriginal RS 302, one pageOriginal RS 303, one pageOriginal RS 304, one pageOriginal RS 305, three pagesOriginal RS 306, three pages



Nebraska Operations

Sheet 1 of 2

**RATE SCHEDULE - APO**  
**ANNUAL PRICE OPTION - PILOT PROGRAM**

1. **AVAILABILITY:** Service under this rate schedule is available only to any residential customer located in Aquila's service territory and who has elected this service for the twelve month period. Initial availability under this pilot program is limited to a prescribed number of residential customers in each of Aquila's Rate Areas on a first-come, first-served basis. The program will be limited to those customers receiving verification of their election from Aquila.
2. **APPLICABILITY AND CHARACTER OF SERVICE:** The program's twelve month period is from November 1 through October 31<sup>st</sup>. This rate schedule shall apply to firm gas service for customers whose normal requirements do not exceed 500 Therms on a peak day and such service shall not be subject to curtailment or interruption. The rate per therm for the delivered commodity cost of gas, including upstream pipeline cost, (PGA) shall be held constant during the twelve months beginning November 1 and ending October 31 of the following year.
3. **RATE INFORMATION:**  
 Pipelines: Northern Natural Gas Company  
 Northern Gas Pipeline Company of America (NGPL)  
 Kinder Morgan, Inc.

Residential

Customer Charge:	Per Index No. 13
Delivery Charge (Base Rate):	Per Index No. 13
Cost of Gas	Per Paragraph 4 below

Minimum monthly bill shall be the Customer Charge.

The Customer and Delivery Charges may change during a program year if approved by the Nebraska Public Service Commission ("NPSC") as a part of a separate rate application.

4. **COST OF GAS:** The cost of gas includes the PGA and an Annual Gas Cost Reconciliation (GCR) factor, and is in addition to the Customer and Delivery Charges shown above.

The PGA as defined in Index 8, Section II(2), will be shown as a separate component on the customer's bill and shall remain fixed for the twelve months beginning November 1 and ending October 31<sup>st</sup> of the following year.

The Gas Cost Reconciliation factor (GCR), as computed in Index No. 8, Section II(3), will also be shown as a separate component on the bill.

Date Issued: May 1, 2006  
 Issued By: Steven M. Jurek  
 Vice President, Regulatory Affairs

Effective Date: November 1, 2006 June 1, 2007

Nebraska Operations

Sheet 2 of 2

**RATE SCHEDULE - APO**  
**ANNUAL PRICE OPTION - PILOT PROGRAM**  
**(Continued)**

5. ENERGY EFFICIENCY RIDER: The Energy Efficiency Rider, in accordance with First Revised Index No. 17, is in addition to the Delivery Charge.

56. DUE DATE: Bills will be due 20 days after Aquila's Mailing Date.

67. LATE PAYMENT PENALTY: One percent (1%) of balance not paid on or before due date.

78. FRANCHISE FEE: A franchise fee will be added to the monthly bill computed on this rate schedules when appropriate.

89. REGULATORY ASSESSMENT AND TAXES: Regulatory Assessment or other taxes, fees, or charges required by a governmental authority will be added to the monthly bill.

910. CUSTOMER EDUCATION SURCHARGE: A surcharge for customer education, promotion, and other expenses associated with Aquila's Annual Price Option Program may be shown as a separate component on the bill. The Customer Education Surcharge shall be computed once annually, based on actual expense incurred, and collected from all residential customers.

1011. REMARKSTIMING: The PGA shall be determined on or before May 1 of each year. The GCR will be determined on or before October 15<sup>th</sup> of each year as part of the Annual Gas Cost Reconciliation. Both the PGA and GCR will be effectuated on November 1<sup>st</sup> of each year.

1211.———TERMINATION: The Annual Price Option Program is a pilot program and may be cancelled at the sole discretion of the Company subject only to any further abandonment approval required by the Company from the Nebraska Public Service Commission. Any over (under) GCR balance attributed to this program at the time of termination will be added to the General Service GCR for the following year, or will be dissolved through any other mutually accepted mechanism adopted by the Company.

13. REMARKS: Adds the Energy Efficiency Rider.

**NEBRASKA PUBLIC SERVICE COMMISSION**

AQUILA INC. d/b/a

AQUILA NETWORKS

**Index No. 15**

Section: RS

First Revised Sheet 1 of 2

Replacing: Original RS-307

Page 1 of 2

Effective: February 1, 2004

Nebraska Operations

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**RATE SCHEDULE - EO**  
**ENERGY OPTIONS PROGRAM**  
**(Transportation)**

**1. AVAILABILITY:**

Available only to any Commercial or Small Industrial Firm customer in Nebraska with natural gas transportation requirements of less than 500 Therms per day for the delivery of gas owned by the customer from Aquila's Town Border Station(s) to a meter location on the customer's premise. Customer must sign a contract with a qualified Marketer participating in Aquila's Energy Options Program. An Energy Options Marketer's participation in Aquila's Energy Options Program is conditioned on the Marketer's compliance with the following requirements: 1) providing Aquila with a copy of its approved Competitive Natural Gas Provider (CNGP) certificate from the Public Service Commission and 2) entering into a "Marketer Agreement" setting forth non-discriminatory operating conditions and related requirements, rights, obligations and agreements, applied by Aquila without preference to any Marketer or affiliate. Aquila reserves the unilateral right to alter or amend or revise the requirements under this Energy Options tariff or its Marketer Agreement, subject to Commission approval.

Availability of local gas transportation services under the Energy Options Program is subject to system operational considerations. This Energy Options program is not available to Residential Customers of Aquila.

**2. APPLICABILITY AND CHARACTER OF SERVICE:**

This Rate Schedule shall apply to Commercial or Small Industrial Firm Customers whose natural gas transportation requirements are less than 500 Therms per day and such transportation service is not subject to interruption.

**3. RATE INFORMATION:**

Pipelines: Northern Natural Gas Company  
Kinder Morgan, Inc.  
Natural Gas Pipeline Company of America (NGPL)

Customer Charge:	\$15.00	per month
Transportation Charge:	Rate Area One	\$12700 per therm plus L&U Factor
	Rate Area Two	\$15922 per therm plus L&U Factor
	Rate Area Three	\$15266 per therm plus L&U Factor

Minimum monthly bill shall be the Customer Charge.

Date Issued: May 27, 2005  
Issued By: Steven M. Jurek

Effective Date: June 1, 20052007

**RATE SCHEDULE  
ENERGY OPTIONS PROGRAM  
(Transportation Continued)**

Company's System Lost and Unaccounted for gas shall be computed in accordance with Original Index 8.

4. **ADJUSTMENT FOR PURCHASED GAS OR OTHER TRANSPORTATION SERVICES:**  
Customer is billed only for the Customer Charge, Transportation Charge, L&U Factor, and Marketer's commodity charge (where applicable); Marketer is billed for all other transportation services and charges.

5. **ENERGY EFFICIENCY RIDER:** The Energy Efficiency Rider, in accordance with First Revised Index No. 17, is in addition to the Transportation Charge.

**5.6 DUE DATE:**

Bill will be due 20 days after Aquila's bill issuance date.

Late Payment Penalty: One percent (1%) of balance not paid on or before the Due Date.

**6.7 FRANCHISE FEE:**

A franchise fee will be added to the monthly bill in those Communities that impose a franchise fee.

**7.8 REGULATORY ASSESSEMENT AND TAXES:**

Regulatory Assessment or other taxes, fees, or charges required by a governmental authority will be added to the monthly bill.

**8.9 TERMINATION:**

Customer must advise Aquila 30 days in advance in writing when it wishes to terminate services under the Energy Options Program. Subject to Commission approval, this service may be terminated by Company.

- 9.10. **REMARKS:** Adds the Energy Efficiency Rider.

Nebraska Operations

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**ENERGY EFFICIENCY RIDER (EER)**

1. DESCRIPTION: The Energy Efficiency Rider provides funding for the Company's demand side programs. These programs offer rebates for energy efficient appliances and equipment for residential customers and weatherization services and emergency replacements for high efficiency furnace heating and water heating equipment to low-income customers. The low-income services of this program are distributed by local Community Action Agencies and are administered by Aquila Networks in coordination with the Salvation Army.
2. AVAILABILITY: The program is available to any residential customer served on Aquila Networks rate schedules TSS and APO.. The low-income services are available to those customers that also qualify as "low income" under the current Low Income Home Energy Assistance Program (LIHEAP) criteria.
3. FUNDING: Funding of the demand side programs shall be through an Energy Efficiency Rider (EER) added to Aquila Networks rate schedules TSS, APO and EO. The EER shall be collected on a volumetric basis and computed as follows:

$$\text{EER} = \frac{\text{EAB} + \text{PYR}}{\text{AT}}, \text{ where}$$

EAB = Estimated Annual Budget for the approved energy efficiency project, which shall include the annual estimated cost of the program components (parts and labor), administration, advertising/promotion, and evaluation.

PYR = Prior Year Reconciliation of total EER collected versus the actual expenditures.

AT = Annual Throughput, which is the projected annual sales volume.

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**GENERAL RULES AND REGULATIONS INDEX**

<u>Description</u>	<u>Section Designation</u>	<u>Index Number</u>	<u>Sheet Number</u>
<b>General Services Terms &amp; Conditions</b>			
1. Application for Service	GRR	21	1 of 3
2. Customer Definition	GRR	21	1 of 3
3. Meters & Regulators	GRR	21	2 of 3
4. Customer's Piping and Appliances	GRR	21	2 of 3
5. Inspection by Company	GRR	21	2 of 3
6. Liability	GRR	21	2 of 3
7. Interruption of Service	GRR	21	3 of 3
8. Service Limitation – Not for Resale	GRR	21	3 of 3
<b>Customer Deposits</b>			
1. Residential	GRR	22	1 of 1
2. Commercial	GRR	22	1 of 1
<b>Billing and Payments</b>			
1. Bills, Duplicate Bills, Failure to Receive Bills	GRR	23	1 of 2
2. Due Dates of Bills	GRR	23	1 of 2
3. Streamline and CheckLine™ Plans	GRR	23	1 of 2
<b>Disconnections</b>			
1. <u>Energy Diversion – Theft of Services</u>	GRR	24	1 of 1
Intentionally Left Blank	GRR	25	
Intentionally Left Blank	GRR	26	
Intentionally Left Blank	GRR	27	
Intentionally Left Blank	GRR	28	
<b>Line Extension</b>			
1. Extension Policies Gas Mains and Service Lines			
A. Main and Service Lines Extensions	GRR	29	1 of 2
B. Project Feasibility	GRR	29	2 of 2
<b>Cold Weather Rule</b>			
1. Availability	GRR	32	1 of 3
2. <u>No Residential Winter Disconnection When Temperature is Below 30 Degrees</u>	GRR	32	1 of 3
3. <u>Cold Weather Rule Tariff Requirements Payment Agreement</u>	GRR	32	1 of 3
4. Illegal Diversion of Services	GRR	32	2 of 3
5. <u>Defaulted Payment Arrangement Agreement</u>	GRR	32	2 of 3
6. Company Responsibility	GRR	32	3 of 3
7. Low Income Residential Customers	GRR	32	3 of 3

**CUSTOMER DEPOSITS****Deposit Policy****1. Residential:**

The Company will ~~may~~ require a cash deposit on residential customers that ~~who~~ demonstrate credit risk. Demonstrated credit risk is defined as having ~~more than one late payment in the last twelve months~~ one disconnection of service during the last year of service, or three or more disconnection notices during the last year of service, or has an undisputed unpaid debt with the company.

The deposit amount should be equal to the one month's highest energy bill in the previous twelve-month period. ~~will shall be one sixth of the estimated annual bill or an existing deposit may be increased to that level. If a customer is unable to pay the full amount of the deposit, At the discretion of the Company, The customer may pay the deposits in installments not to exceed three months, or provide a guarantor who has satisfactory credit, with the company.~~

Customer deposits shall accumulate interest to be calculated annually and paid at an annual rate of simple interest of 5%.

Deposits for residential customers will be reviewed annually and refunds made to customers whose account is current and no more than one payment within the past twelve months was made after the due date.

**2. Commercial:**

The Company may require a cash deposit on commercial customers that demonstrate credit risk. Demonstrated credit risk is defined as having ~~more than one late payment in the last twelve months~~ disconnection of service during the last year of service, or three or more disconnection notices during the last year of service, has an undisputed unpaid debt with the company, or having no prior credit history with the company, more than one late payment in the last twelve months.

**3. Deposit Amount and Refunds:**

The deposit amount should be equal to one and one-half times the highest energy bill in the previous ~~twelve-month period~~ shall be equal to one-sixth of the estimated annual bill or an existing deposit may be increased to that level.

Customer deposits shall accumulate interest to be calculated annually and paid at an annual rate of simple interest of 5%.

Deposits for ~~commercial~~ all customers will be reviewed annually and refunds made to customers whose account is current and with no more than one late payment within the past twelve months, ~~was made after the due date.~~

**3-4 Hardship Deposit Waiver or Suspension:**

From time to time and upon no less than one-day notice to the Commission, Company may waive or suspend the Customer deposit requirement for a reasonable period of time during periods of Customer extreme hardship in order to avoid disconnection of Customer's natural gas service or to promote additional Customer reconnections.

The waiver or suspension of the Customer deposit requirement for hardship includes, but is not limited to, deposits required soon after the Cold Weather period expires. The waiver or suspension shall apply to all new customer deposits required during the waiver or suspension period. The Customer deposit waiver or suspension may be limited by Company to either its Residential or Commercial class of customers.

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Date Issued: ~~May 1~~ November 15, 2006

Effective Date: ~~April 1, 2006~~ June 1, 2007

Issued By: Steven M. Jurek

Vice President, Regulatory Affairs



**BILLING AND PAYMENT****1. Bills, Duplicate Bills, Failure to Receive Bills**

All bills periodically rendered to customers for metered services shall be based on actual or estimated readings at local pressure base and shall show in addition to the net dollar amount due, the date on which the current reading was taken, the meter readings at the beginning and end of the period for which the bill is rendered, the date when payment is due, the total consumption expressed in cubic feet or other unit of service recorded by the meter read, and whether the bill is actual or estimated.

Bills may be rendered based on bimonthly meter readings whereby the customer's meter will actually be read every other month. In those months where the meter is not actually read, the customer's bill will be computer or manually estimated.

Upon request, the Company shall give the customer the approximate date on which he should receive his bill each month; and if a bill is not received or lost, the Company shall, upon request, issue a duplicate. Failure to receive a bill shall not relieve a customer from complying with the applicable rate schedule and these general service terms and conditions.

**2. Due Dates of Bills**

Bills, including charges for gas service, deposits and other charges contained in this tariff are due and payable within twenty days after mailing. An unpaid bill will not be considered past due until twenty days after mailing. The due date shall be clearly stated on the face of the bill.

**3. Streamline and CheckLine™ Plans****A. Streamline Plan**

The Company shall offer to all residential customers and commercial firm customers in good standing a "Streamline Plan" billing program, which allows the customer to pay a uniform amount for eleven (11) months with the twelfth (12) month (July) being the per month to balance the account. Such customers may enroll in the program during any month of the year. The company may recalculate the monthly Streamline amount at intervals throughout the year, if needed, and communicate the changed monthly amount to the customer. Participation in this program would be at the Customer's option and request, and all normal billing and consumption information would be shown on the billing statements in addition to the monthly Streamline payment amount.

Customers who are removed from the Streamline billing plan for non payment may not be allowed back onto the plan until their account is current.

Customers may be removed from the Streamline billing plan at anytime at their request.

**B. CheckLine™ Plan**

CheckLine™ is available to all customers with a bank or credit union account. Customer authorizes monthly energy billing to be charged to their checking or savings

**NEBRASKA PUBLIC SERVICE COMMISSION**

AQUILA INC. d/b/a  
AQUILA NETWORKS

**Index No. 23**

Section: GRR

~~Original~~First Revised Index No. 23 Sheet 2 of 2  
Replacing: All of GST & C Filed in Dkt. No. NG-

~~0007~~Original Index No. 23 Sheet 2 of 2

Effective: August 19, 2003 June 1, 2005

Nebraska Operations

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**BILLING AND PAYMENT**

3. **Streamline and CheckLine™ Plans (Continued)**

account electronically. Written authorization is required to initiate, and cancellation can be done verbally or in writing. The Company may modify or cancel this program without further approval.

Date Issued: ~~May 27, 2005~~ November 15, 2006  
Issued By: Steven M. Jurek

Effective Date: June 1, 2007~~5~~

**DISCONNECTIONS****1. Energy Diversion – Theft of Services**

If any device is found installed on customer's premises which prevents the meter from accurately recording consumption, ~~notice may be issued to the customer giving ten (10) days in which to remove such device and related appurtenances. Company has the right to bill customer for any damage to company property and estimated amounts of gas consumed, but not properly registered.~~

~~As an alternative to the above, the Company may elect to remove or correct any energy diverting device in which case any temporary interruption of service for the purpose of repair or remedy shall not constitute discontinuance, and thus shall not require advance notice or bypasses the meter, such device and gas meter may shall be removed for safety reasons without prior notice to the customer.~~

However, written notice must be left at the premises advising the customer of the nature of the violation, the steps the Company ~~haisis~~ taking to correct it, and the Company's right to bill for any damage to company property and estimated consumption not properly registered.

The company will calculate the amount of gas consumed, but not properly registered, and bill the customer for the estimated gas, the company labor and material costs for the damaged company property.

**Prior**

~~In and by itself, discovery that a meter has been tampered with shall not be cause for discontinuance. Instead, Company shall mail or deliver written notice advising customer of the discovery and the steps that the Company will take to determine what amount of gas has been diverted and that Company may bill for any damage to company property and amounts of gas consumed but not billed.~~

~~No~~ Prior notice of disconnection is not required when Company:

- A. Determines that immediate shut off is imperative for health or safety reasons.
- B. Is ordered by governmental authority having jurisdiction due to alleged customer violations of ordinances, statutes or regulations covering utility service.
- C. Determines that service has been discontinued, in accordance with these rules, is discovered restored by someone other than the Company, and the original cause for the discontinuance has not been cured. The Company may remove the meter and leave notice for the customer.

**COLD WEATHER RULE****1. Availability**

The provisions of the Cold Weather Rule (CWR) allow for special payment and disconnection procedures for any residential customer with unpaid arrearage to retain or restore utility service throughout the cold weather period, which extends from November 1st through March 31st.

**2. No 2. Residential Winter Disconnection When Temperature is Below 30 Degrees**

3. ~~The Company shall not disconnect a residential customer's service between November 1st and March 31st without adding to the time for payment of a bill an additional 30 days before disconnection. A customer may avoid disconnection if they meet the requirements of the Cold Weather Rule, when the local national weather service office forecasts the temperature will drop below 30 degrees within the following 48 hour period unless:~~

4. ~~(1) It is at the customer's request;~~

~~(2) The service is abandoned;~~

~~(3) A dangerous condition exists on the customer's premises;~~

~~(4) The customer violates any rule of the Company which adversely affects the safety of the customer or other persons, or the physical integrity of the Company's delivery system;~~

~~(5) The customer causes or permits unauthorized interference with or diversion of use of (meter bypass) utility service situation or delivered on or about the customer's premises.~~

~~In any of these situations, the Company may disconnect service immediately. Service disconnected under (3), (4), or (5) above must be restored as soon as possible after the physical problems as defined therein have been corrected.~~

~~In order to keep from getting disconnected when the temperature is 30 degrees or above, or to get reconnected regardless of temperature, a customer must comply with the provisions of the Cold Weather Rule Tariff Requirements.~~

**COLD WEATHER RULE****3. Cold Weather Rule Tariff Requirements**

To qualify for the avoid disconnection or have service restored under the Cold Weather Rule, Payment Agreement, the Customer shall:

- (1) Inform the Company of the customer's inability to pay the bill in full;
- (2) Give sufficient information to allow the Company to make arrange a payment agreement;
- (3) Make full an initial payment of one-fourth (1/4) of the total utility arrearage, plus the full amount of the current month's utility bill for consumption during the most recent billing period for which service was provided, plus any required reconnection fee or deposit, divided by twelve (12) or less periods;
- (4) Apply for federal, state, local or other funds which the customer is eligible;
- (5) Enter into a 3-month level payment plan covering the remaining utility balance plus the for current monthly bills, and future consumption with arrears paid in equal installments over no more than the next eleven (11) months;
- (6) Not illegally divert (~~bypass meter~~) utility service;
- (7) Not default on a payment plan. Keep all pay agreements as arranged.

**4. Illegal Diversion of Service**

If the Company documents that the customer has diverted (~~meter bypass~~) service and has benefited from such diversion, the diversion will be treated as "Theft of Service" under Index No. 24, and the customer shall be deemed to be in breach of the Cold Weather Rule Tariff Requirements. Such breach may be cured by payment by the customer for the value the amount billed for the estimated gas consumed and all other expenses incurred by the Company in accordance with Index No. 24 of the diverted service. The value of such use shall be estimated based on historic use of such customer or such residence.

**5. Defaulted Payment Arrangement Agreement**

Any customer who has defaulted in the most recent cold weather period and remains in default has breached the requirements of the Cold Weather Rule, Tariff Requirements. To avoid disconnection or to restore service, the customer may be offered another payment agreement at the Company's discretion. If the customer defaults on the payment plan, the Company may disconnect service after providing the requisite notice. To cure such default, the customer shall make full payment as set forth in the Cold Weather Rule Tariff Requirements; pay any disconnect or reconnect charges incurred as a result of any default and complies with the provisions of the Cold Weather Rule Tariff Requirements.

The customer will be encouraged to renegotiate CWR payments if they receive utility or other lump sum assistance.

Date Issued: ~~May 27, 2005~~

Effective Date: June 1, ~~2005~~2007

Issued By: Steven M. Jurek

Vice President, Regulatory Affairs

**COLD WEATHER RULE**

**6. Company Responsibility**

The Company shall notify each active residential customer of the Cold Weather Rule (CWR) once a year at least 30 days prior to the CWR period.

The Company shall in its 1) telephone contact(s), or 2) the personal contact, or 3) the disconnect message on the door, also provide the following information:

- (1) Inform the customer of the existence of the Cold Weather Rule and that the customer has an additional 30 days until disconnection, and that the customer can avoid disconnection by complying with the Cold Weather Rule Tariff Requirements;
- (2) Inform the customer of, or provide a list of, the Cold Weather Rule Tariff Requirements;
- (3) Inform the customer of, or provide a list of, organizations where funds are available to pay utility bills;
- (4) Inform the customer of, or provide a list of, other pay ~~arrangements~~ agreements for which the customer might qualify.

**6. Low Income Residential Customers (LIHEAP)**

If a residential customer has been certified as eligible for low income home energy assistance and has communicated such eligibility to the Company and has provided acceptable documentation to the Company within a reasonable time, then no disconnection shall occur during the cold weather period.

Aquila's 2005 Annual Report was also included in the Application, and can be viewed here:

[http://media.corporate-ir.net/media\\_files/NYS/ila/reports/2005AR.pdf](http://media.corporate-ir.net/media_files/NYS/ila/reports/2005AR.pdf)